

BLCC 4.0

The NIST "Building Life-Cycle Cost" Program (Version 4.0) User's Guide and Reference Manual

Stephen R. Petersen

U.S. DEPARTMENT OF COMMERCE
Technology Administration
National Institute of Standards
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Gaithersburg, MD 20899-1000

Sponsored by
The Federal Energy Management Program
U.S. Department of Energy
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U.S. DEPARTMENT OF COMMERCE
Ronald H. Brown, Secretary

**NATIONAL INSTITUTE OF STANDARDS
AND TECHNOLOGY**
Arati Prabhakar, Director

ABSTRACT

The NIST Building Life-Cycle Cost computer program, version 4.0, provides economic analysis of proposed capital investments that are expected to reduce long-term operating costs of buildings or building systems/components. It is especially useful for evaluating the costs and benefits of energy conservation projects in buildings. Two or more alternative designs can be evaluated to determine which has the lowest life-cycle cost and therefore is most economical in the long run. Economic measures, including net savings, savings-to-investment ratio, adjusted internal rate of return, and years to payback can be calculated for any design alternative relative to the designated base case. BLCC can be used for evaluating federal (including Department of Defense), state, and local government projects as well as projects in the private sector. It complies with ASTM standards related to building economics as well as FEMP and OMB Circular A-94 guidelines for economic analysis of federal building projects. BLCC 4.0 has new capabilities for using demand charges and block rate calculations for computing annual electricity costs. While BLCC is primarily intended for the economic evaluation of building systems, it can be applied to a wide range of project investments which are intended primarily to reduce future operating-related costs.

A new "Quick Input" module (QI) included with BLCC 4.0 can be used to set up multiple project alternatives for LCC analysis in a single input file. While the range of input data is somewhat limited, QI is sufficient for many simple LCC problems and provides a new link to the DOE ASEAM 4.0 energy calculation program. QI can also be used to generate input data files for BLCC when more comprehensive analysis is required.

BLCC and QI are designed to run on an IBM-PC or compatible microcomputer with approximately 640K of random access memory and a hard disk or disk drive capable of handling high-density diskettes. BLCC and QI are updated annually (on October 1) to include the current DOE energy price projections and federal discount rates.

Note: BLCC is a public domain program, not subject to copyright. It can be freely copied and distributed. However, it is requested that attribution be given to the National Institute of Standards and Technology.

The author has made a concerted effort to produce a computer program that works as intended and is free from error. However, NIST makes no guarantee that BLCC is free of errors and assumes no responsibility or liability for the accuracy of this program or for the results which may come from its use.

PREFACE

The Building Life-Cycle Cost computer program, version 4.0, has been prepared as an aid to conducting life-cycle cost (LCC) evaluations of potential energy conservation and renewable energy projects in new and existing federal buildings. It can also be used for evaluating similar projects in the private sector and at the state and local government levels. For the analysis of energy conservation investments in federal buildings (other than Department of Defense (DoD) facilities), BLCC complies with NBS Handbook 135, *Life-Cycle Costing Manual for the Federal Energy Management Program*. For DoD facilities, BLCC 4.0 complies with the March 18, 1991, DoD Tri-Services memorandum of agreement on "Criteria/Standards for Economic Analyses/Life Cycle Costing for MILCON Design." For other investments in federal buildings, BLCC complies with OMB Circular A-94 (revised), "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs," October 29, 1992.

BLCC also complies with the American Society for Testing and Materials (ASTM) standard practices for building economics, including E917 (Practice for Measuring Life-Cycle Costs of Buildings and Building Systems), E964 (Practice for Measuring Benefit-to-Cost and Savings-to-Investment Ratios for Buildings and Building Systems), E1057 (Practice for Measuring Internal Rates of Return for Investments in Buildings and Building Systems), E1074 (Practice for Measuring Net Benefits for Investments in Buildings and Building Systems), and E1121 (Practice for Measuring Payback for Investments in Buildings and Building Systems).

While BLCC was developed as an aid to the economic evaluation of buildings and building systems, it can be applied to almost any project investment which is primarily intended to reduce future operating-related costs. For example, it can be used to evaluate alternative automobile models in a fleet management program, or to evaluate alternative highway, bridge, or pipeline construction specifications that directly impact the life or maintenance requirements of those facilities.

BLCC is the third of a five-volume set of reports which together provide a comprehensive set of methods, data, and computational tools for the economic evaluation of energy-related projects in federal buildings. Included in the five-volume set are the following:

- (1) *Life-Cycle Costing Manual for the Federal Energy Management Program*, National Bureau of Standards (now National Institute of Standards and Technology), Handbook 135 (last revised 1987).

Handbook 135 is a guide to understanding life-cycle costing and related methods of economic analysis as they are applied to federal buildings. It describes the required procedures and assumptions, defines and explains how to apply and interpret economic performance measures, gives examples of federal decision problems and their solutions, explains how to use the energy price indices and discount factors (which are updated annually in the following report), and provides work sheets and other computational aids and instructions for calculating the required measures.

- (2) *Energy Prices and Discount Factors for Life-Cycle Cost Analysis*, National Institute of Standards and Technology (Annual Supplement to NBS Handbook 135), NISTIR 85-3273-7, 1993 (updated annually).

This report, updated annually, provides energy price indices and discount factor multipliers needed to estimate the present value of energy and other future costs. The data are based on energy price projections developed by the Energy Information Administration of the U.S. Department of Energy. Request the latest edition.

Note: For LCC analyses in the Department of Defense, NIST publishes a separate version of this report, called *Present Worth Factors for Life-Cycle Cost Studies in the Department of Defense (1993)*, NISTIR 4942. The present worth factors for annually recurring costs in this report are based on mid-year discounting (as required by DoD), rather than on end-of-year discounting as in NISTIR 85-3273.

- (3) *The NIST "Building Life-Cycle Cost" (BLCC) Computer Program (version 4.0)*, NISTIR 5185, National Institute of Standards and Technology, May 1993.
- (4) *DISCOUNT--A Program for Discounting Computations in Life-Cycle Cost Analyses (version 3.2)*, NISTIR 4513, National Institute of Standards and Technology, 1991.

The DISCOUNT program computes discount factors and related present values, future values, and periodic payment values of cash flows occurring at specific points. DISCOUNT is especially useful for solving life-cycle cost analysis problems which do not require the comprehensive summation and reporting capabilities provided by the BLCC program. DISCOUNT performs all of the functions of standard discounting tables, computing present values of future amounts, future values of present amounts, present and future values of periodic payments, periodic payments corresponding to present and future amounts, and corresponding discount factors. In addition, DISCOUNT computes the present value of periodic payments which increase at known rates over time, and the present value of energy costs which increase at rates projected by the U.S. Department of Energy for use in federal life-cycle cost analysis. DISCOUNT provides the added flexibility of accepting non-integer discount rates, time periods, and escalation rates in its computations. DISCOUNT runs on most IBM PC and compatible microcomputers. The DISCOUNT program is included on the BLCC 4.0 diskette.

- (5) *ERATES--A Program for Computing Time-of-Use, Block, and Demand Charges for Electricity Usage*, NISTIR 5186, National Institute of Standards and Technology, May 1993.

ERATES is a computer program for calculating monthly and annual electricity costs under a variety of electric utility rate schedules. Both kWh usage and kW demand can be included in these costs. Most typically these calculations will be used to support engineering-economic studies which assess the cost effectiveness of energy conservation measures or measures to shift electricity use from on-peak to off-peak time periods. With ERATES a user can set up time-of-use rate schedules, block rate schedules, and demand rate schedules and save these schedules to a disk file. ERATES can then use these schedules to compute monthly and annual electricity costs, given hourly or monthly kWh usage and kW demand data for a building or building system. ERATES is a menu-driven, interactive program, designed to be run on an IBM-PC or compatible microcomputer. ERATES can be used to create block rate and demand rate schedules which can be used with BLCC 4.0. ERATES is not intended for use by utilities in setting up or administering such schedules.

Both the BLCC and DISCOUNT computer programs access current DOE energy price projections from the same two disk files (currently ENCOST93.SEQ and ENCOST93.RAN). These files are updated and released at the same time that NISTIR 85-3273, *Energy Prices and Discount Factors for Life-Cycle Cost Analysis*, is released each year. These disk files ensure that BLCC and DISCOUNT are compatible with manual computations performed using the discount factors in that report.

Representatives of federal agencies and contractors to the federal government can order these publications, free of charge, from:

Advanced Sciences, Inc.
2000 North 15th Street
Suite 407
Arlington, VA 22201
(703) 243-4900

For others interested in obtaining the BLCC or DISCOUNT computer programs, please contact one of the following organizations for price and ordering information:

National Technical Information Service
5285 Port Royal Road
Springfield, VA 22161
(703) 487-4650

PC Software Interest Group
1030D East Duane Avenue
Sunnyvale, CA 94086
(408) 730-9291

FlowSoft
5 Oak Forest Court
Saint Charles, MO 63303
(314) 441-1022

Energy Information Services
PO Box 381
St. Johnsbury, VT 05819-0381
(802) 748-5148

NIST conducts LCC workshops, sponsored by DOE, at various locations around the country several times each year. The workshops include training and software for both BLCC and an energy analysis computer program called "A Simplified Energy Analysis Method" (ASEAM). You can obtain a schedule of workshops from the Office of Applied Economics, National Institute of Standards and Technology, Bldg. 226, Room B226, Gaithersburg, MD 20899, (301) 975-6132.

An introduction to the FEMP LCC methods is provided in a video training film, "Least-Cost Energy Decisions: An Introduction to Life-Cycle Cost Analysis." A second video training film in this series is now available, entitled "Uncertainty and Risk." The video films and companion workbooks can be ordered from Video Transfer, Inc., 5709-B Arundel Avenue, Rockville, MD 20852, (301) 881-0270. Additional training films in the series are in preparation.

Further information on the Federal Energy Management Program can be obtained from the Federal Energy Management Program Staff, Office of the Assistant Secretary for Conservation and Renewable Energy, U.S. Department of Energy. Please direct communication to: FEMP, CE 10.1, U.S. Department of Energy, 1000 Independence Avenue, SW, Washington, D.C. 20585.

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1. INTRODUCTION

1.1 Overview

The NIST Building Life-Cycle Cost (BLCC) computer program is an economic analysis tool kit for evaluating alternative buildings and building-related projects, systems, or components that have different costs while providing an acceptable level of service (e.g., occupant comfort, safety, and useable space). Most typically BLCC is used to evaluate alternative designs which have higher initial costs but lower operating-related costs over the project life than the lowest-initial-cost design. BLCC is especially useful for evaluating the costs and benefits of energy conservation projects in buildings. With BLCC, the life-cycle costs of two or more alternative designs are computed and compared to determine which has the lowest life-cycle cost and is therefore most economical in the long run. BLCC can be used for evaluating alternative designs in both new and existing buildings. BLCC will also calculate comparative economic measures for the alternative designs, including Net Savings, Savings-to-Investment Ratio, Adjusted Internal Rate of Return, and Years to Payback. BLCC can evaluate federal, state, and local government projects as well as non-profit and for-profit projects in the private sector. While BLCC is oriented toward building-related design decisions, it can be used to evaluate alternative designs for almost any project type in which initial investment costs can be increased in order to reduce future operating-related costs.

Before using BLCC, you must identify appropriate design alternatives for the project to be evaluated, collect relevant cost and energy usage information, and establish the economic environment (i.e., Base Date, Service Date, Study Period, Discount Rate, and tax status) in which the alternatives will be evaluated. Then, using a series of data entry forms displayed on the screen, you set up and save a separate data file of cost data and related parameters for each alternative. BLCC automatically performs LCC computations for each alternative as you save your input data file. Once you have created data files for two or more alternatives, you can use BLCC to identify the minimum life-cycle cost alternative and to calculate appropriate measures of economic performance. You can generate a yearly cash flow report, summary and detailed LCC analyses, and comparative economic analyses for designated design alternatives using menu-driven commands. You can specify whether the BLCC reports will be displayed to the screen, sent to the printer, or saved to the disk for later incorporation into a larger report.

BLCC version 4.0 provides significant new computational capabilities over version 3.0, including:

- (1) LCC computations for the design of Department of Defense military construction (MILCON) projects.
- (2) LCC computations compatible with the October 1992 revision of OMB Circular A-94 for benefit-cost analysis of federal programs.
- (3) Block rate and demand charge calculations for electricity costs, using data files from the NIST ERATES program¹.

¹ National Institute of Standards and Technology, *ERATES, A Computer Program for Calculating Time-of-Use, Block, and Demand Charges for Electricity Usage*, NISTIR 5186, May 1993.

- (4) Years to payback and annual energy savings computations for a project alternative relative to a specified base case.
- (5) A new "Quick Input" module, which you can use to quickly set up multiple project alternatives in a single file, find the lowest LCC alternative, calculate comparative measures of economic performance, and generate BLCC input files for more comprehensive analysis of selected alternatives.
- (6) A new link with the DOE ASEAM 4.0 energy analysis program through the Quick Input program.
- (7) Optional month-specific timing for Base Date, Service Date, Study Period, Replacement Costs, and Non-annually Recurring Costs (except for analyses requiring income tax calculations).
- (8) Optional units (including SI units) for energy types.

BLCC computational algorithms comply with the American Society for Testing and Materials (ASTM) standard practices for building economics, including E917 (Practice for Measuring Life-Cycle Costs of Buildings and Building Systems), E964 (Practice for Measuring Benefit-to-Cost and Savings-to-Investment Ratios for Buildings and Building Systems), E1057 (Practice for Measuring Internal Rates of Return for Investments in Buildings and Building Systems), E1074 (Practice for Measuring Net Benefits for Investments in Buildings and Building Systems) and E1121 (Practice for Measuring Payback for Investments in Buildings and Building Systems). For the economic analysis of energy conservation investments in federal buildings, BLCC complies with NBS Handbook 135, *Life-Cycle Costing Manual for the Federal Energy Management Program*. For Department of Defense military construction projects, BLCC complies with the criteria outlined in the DoD memorandum of agreement on "Criteria/Standards for Economic Analyses/Life Cycle Costing for MILCON Design," March 18, 1991. For other investments in federal buildings, BLCC complies with OMB Circular A-94 Revised, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs," October 29, 1992.

BLCC uses the U.S. Department of Energy's (DOE) most recent projections of energy price escalation rates. These DOE projections are needed for federal energy conservation analyses but can be used with other LCC analyses as well. These projections are updated yearly and released with the most recent version of BLCC at the beginning of the new fiscal year (October 1).

1.2 How to Use this Guide

BLCC was originally developed in the early 1980's and has been through several revisions, not only to add more capabilities but to improve the user interface as well. Most of the data entry forms used in version 4.0 are similar to, or identical with those in version 3.0. You can use your input data files from BLCC versions 3.0 and later with BLCC 4.0. However, you must update and resave the older files and recalculate the LCC for each alternative using BLCC 4.0 before you can use BLCC 4.0 to generate reports or perform a comparative analysis. For experienced BLCC users, version

4.0 can be run with little additional preparation after installation, except to read about its new capabilities with regard to block rate and demand rate computations for electricity costs in section 5. Experienced BLCC users should also read section 6 to learn about the capabilities of the new Quick Input program that can be used instead of BLCC for many simple LCC problems.

If you are a first time user, it is recommended that you review section 3 to gain a basic understanding of BLCC's capabilities and the order in which the various steps of a BLCC analysis are undertaken. Look over examples of the six different types of BLCC reports provided in that section. It is most important that you keep one requirement in mind when you are starting out. **You must create a separate input data file for each design alternative to be evaluated.** Thus, if you are evaluating four different levels of attic insulation to find which has the lowest LCC, you must create a separate data file for each level.

After installation, you can run BLCC with the demonstration files (DEMO1.DAT, DEMO2.DAT, etc.) to obtain an overview of the data entry forms and the BLCC menu functions. After starting BLCC, select "Enter/Edit/Print Input Data" from the main menu and "Edit Existing Input File" from the secondary menu. Then select file "DEMO1.DAT" from the list of available files. From the file editing menu, select "All Data", and then page through the data entry forms. Press <PgDn> and <PgUp> to move forward and backward through the data entry forms. Press <Enter> or <Esc> to move forward or backward from a menu screen (i.e., a screen which requires selecting an option rather than entering data into a field). After the last screen you will be asked if you want to save the current data. If you do not make any changes to the data in these demonstration files, the file can be resaved under its original name. If you have changed any data in the file, give it a new file name in order to preserve the original data in the demonstration file.

Section 4 provides examples of all of the data entry forms in BLCC and definitions of each variable that you must enter. The definition of each variable on each data entry form is located below the corresponding figure shown in section 4. Not all variables shown in section 4 apply to all types of analysis. For example, tax-related variables only appear when running the private-sector options.

Section 5 provides instructions on the use of block rate and demand rate calculations in BLCC version 4.0. This is a new feature of BLCC and requires that you use the NIST ERATES program to set up appropriate rate schedules before you run BLCC.

Section 6 provides an overview and instructions for running the new BLCC "Quick Input" program. Whether you are a new or experienced BLCC user, you should read over this section and explore the features of this new program. QI can greatly simplify the task of creating data files for LCC analysis. You can enter cost data for many design alternatives into a single file, rather than having to create a separate file for each alternative. While the amount of cost data that you can enter for any single alternative is limited, you can use QI to generate BLCC input data files for those alternatives which require more intensive analysis. You can then enter more comprehensive cost data for those alternatives using BLCC and use its more detailed reporting capabilities.

1.3 BLCC Files and File Name Extensions

There are a number of different file types that are used with, or generated by, BLCC 4.0 and the BLCC Quick Input program. A complete list of these file types, with file name extension, is shown in table 1.1. This list may be helpful in identifying files in your BLCC4 directory. The file-name extensions are automatically assigned by the BLCC program. Do not include the extension when you enter a file name for saving a file.

Table 1.1 File name extensions used in BLCC and Quick Input

File name

Extension File type

.EXE	Executable files (BLCC4 and QI)
.DAT	BLCC4 input data files
.LCC	BLCC4 life-cycle cost (output) file
.DEP	Depreciation table file (see section 4.10.4)
.BLK	Block rate file for kWh charges from ERATES
.DMD	Demand rate file for kW demand charges from ERATES
.SCR	Screen formatting files for BLCC4 and QI
.FLD	Report formatting files for BLCC4
.FIL	Special data files for BLCC4 and QI
.SEQ	ENCOST93.SEQ only, map of data in ENCOST93.RAN
.RAN	ENCOST93.RAN only, DOE energy price escalation rates (see section 4.7.2)
.QI	QI input data files
.DTS	Optional files for BLCC4 Input Data Report
.SUM	Optional files for BLCC4 Summary LCC Report
.CFR	Optional files for BLCC4 Annual Cash Flow Report
.LOW	Optional files for BLCC4 Lowest LCC Report
.CMP	Optional files for BLCC4 Comparative Economic Analysis Report
.QID	Optional files for QI Input Data Report
.QLR	Optional files for QI LCC Report
.LST	Optional files for list of BLCC input data files generated by QI

2. INSTALLING BLCC 4.0

2.1 Installation

BLCC 4.0 runs best when you install it on a hard disk. You can also run BLCC 4.0 directly from a diskette if it has at least 600 kilobytes (KB) of data storage (i.e., a high density 5.25 inch or double-density 3.5 inch diskette, but not a double-density (360 KB) 5.25 inch diskette).

To install BLCC 4.0 on a hard disk, use the following steps:

Important: Do not install BLCC 4.0 in the same directory as earlier versions of BLCC.

- (1) Make a subdirectory called **BLCC4** on the disk drive of your choice (e.g., C:). To make a subdirectory called "BLCC4", type **MD \BLCC4** at the DOS ready prompt.
- (2) Type **CD \BLCC4** to make this the current directory.
- (3) Insert the BLCC 4.0 disk into the A drive and copy all of the files from the disk to the BLCC4 subdirectory by typing **COPY A:*.***.
- (4) Repeat step 3 if there is more than one BLCC 4.0 diskette.
- (5) Type **BLCC4** at the ready prompt to start BLCC 4.0.

To run BLCC 4.0 directly from a diskette, use the following steps:

(Note: These instructions are only valid when all of the supporting files listed below are on the same disk as BLCC4.EXE.)

- (1) Make a back-up copy of the BLCC 4.0 diskette and save the original in a safe place.
- (2) Insert your back-up copy of the BLCC 4.0 diskette into the A (or B) drive.
- (3) Make the A (or B) drive the current drive by typing **A:** (or **B:**).
- (4) Type **BLCC4** at the ready prompt to start BLCC 4.0.

If you run BLCC 4.0 from the diskette rather than from a hard disk, space for file storage is limited and you should therefore save your own input and output files to a second diskette in another drive. BLCC 4.0 data entry forms and reports will be displayed somewhat more slowly when BLCC 4.0 is run directly from the diskette. This is because screen and report formatting files (*.SCR and *.FLD, respectively) must be accessed from the disk as data input and report formatting are underway.

The executable program BLCC4.EXE and the following supporting files must be available in the current directory to run BLCC 4.0:

MILPROJ.SCR	TAXREP.SCR	TITLES.FIL	HELP.4
MILARC.SCR	TAXARC.SCR	COMPARE4.FLD	ENCOST93.SEQ
MILREP.SCR	TAXPROJ.SCR	PRNTLCC4.FLD	ENCOST93.RAN
GENPROJ.SCR	ENESC.SCR	CASHFLW4.FLD	DISRAT93.FIL
GENARC.SCR	ENERGY.SCR	PRNTDAT4.FLD	
GENREP.SCR	MORT.SCR	SETUP4.FIL	

If you intend to use the Quick Input program (see section 6), QI.EXE must be available in the current directory. There is also a file called README.1 with updated information about BLCC 4.0 on the BLCC disk. Look at this file for information included after this user's guide was completed.

2.2 Set Up

The first time you run BLCC, select the "Set Up" option from the main BLCC menu. The set up screen is shown in figure 2-1. This option allows you to define the type of monitor you are using, the directory or subdirectory location of the data files and output files that are created and saved while running BLCC, and the common file name of the DOE energy price files on the BLCC disk (currently ENCOST93). These responses are saved to a file called SETUP4.FIL in the BLCC subdirectory, and are retrieved each time you run BLCC. For some non-color monitors that emulate, but do not actually display color, the screen display can be improved by selecting "B&W emulation" (E) from the set up screen. It is recommended that you save data files for unrelated projects in different subdirectories.

Monitor (C=Color/M=Monochrome/E=B&W Emulation): C
Directory to save files: D:\BLCC4
DOE Energy Price Filename: ENCOST93

Figure 2-1. BLCC set up variables.

After the set-up screen has been updated, press <PgDn> to save the set-up specifications shown on the screen and return to the main BLCC menu. Or press <Esc> to return to the main menu without saving any changes that you made here.

Note: ENCOST93 is the common file name of the two data files containing DOE energy price escalation rates. Only the last two characters (i.e., the year for which these data are valid) can be changed in the third set up field. The year entered here is also used to determine the year for DISRAT93.FIL, a file with current FEMP and OMB discount rates for use with federal LCC analyses.

2.3 Demonstration Files

There are several demonstration files on the BLCC disk for use in learning how to use the program. These files are:

DEMO1.DAT DEMO1.LCC DEMO.DEP
DEMO2.DAT DEMO2.LCC DEMO.BLK
DEMO3.DAT DEMO3.LCC DEMO.DMD
DEMO4.DAT DEMO4.LCC

These demonstration files serve as the basis of the examples of BLCC reports used in this User's Guide. The four DEMO?.DAT files are data input files which contain the study parameters and cost data for four mutually exclusive design alternatives. You can view these files in the BLCC file edit mode, or use them as the basis for generating an Input Data Report or an Annual Cash Flow Report. Section 4 provides the definitions of all of the variables in these BLCC input data files. The four DEMO?.LCC files contain the LCC calculations that BLCC performs when the corresponding input data files were saved. Section 3.4 describes these reports. DEMO.DEP is an example file of a standard depreciation table for use with private-sector (taxable) analyses. Section 4.10 provides the format for this file. DEMO.BLK and DEMO.DMD are block rate and demand rate files, respectively, for electricity costs. These files are generated by the NIST ERATES program. The use of these files is described in section 5.

3. CONDUCTING A BLCC ANALYSIS

3.1 Getting Started

3.1.1 Preliminary Requirements

Life-cycle cost (LCC) analysis is used as a decision-making tool for choosing among alternative building or system/component designs, based on their long-run economic performance rather than on their first cost. When design improvements increase the first cost of a building or building system, but reduce future operating-related costs or extend the life of the building or system, an economic analysis is often required to justify the required additional investment. (Of course, when no additional investment is needed for these improvements, and no adverse consequences are anticipated, an economic analysis is not generally required to justify the improved design.) Life-cycle cost analysis is a technique of economic evaluation which sums, over a given study period, the costs of initial investment (less resale value); capital replacements; operating, maintenance, and repair (OM&R) costs, including non-capital replacements; and energy costs attributable to the design of a building or building system. The LCC is generally expressed in either present-value or annual-value dollars to include the time-value of money (as reflected by the discount rate) in the economic analysis.

Before you can start the economic analysis, you must first determine acceptable design alternatives that can perform the required functions of the building or building system being evaluated. The criteria for determining whether a design alternative is "acceptable" can include a number of factors: reliability, safety, conformance with building codes, occupant comfort, noise levels, and even visual aesthetics. Presumably each of the acceptable alternatives that you have identified will have different initial investment costs and future costs.

The first step in performing the actual economic analysis of these design alternatives is to establish the general study parameters for the project: the Base Date (the date to which all future costs are discounted), the Service Date (the date when the new building will be occupied or the new system will be put into service), the Study Period (the life of the project, or in some cases, the number of years over which the investor has a financial interest in the project), the Discount Rate (the opportunity cost, or next best use of the investor's funds), and in the case of analyses which include taxes, applicable tax rates. When two or more design alternatives are to be compared (or even when a single alternative is compared against an existing design), these variables must be the same for each to assure that the comparison is valid. It is meaningless to compare the LCC of two or more alternatives if they are computed using different study periods or different discount rates.

Once you have established the general study parameters and identified the list of acceptable design alternatives for a given project, you must quantify all project-related costs as they are affected by these alternatives and estimate the time at which these costs are expected to occur. These costs include initial investment costs, replacement costs (if any); operating, maintenance, and repair (OM&R) costs; energy costs; financing costs and tax effects, if any; and resale value. You should differentiate between annually-recurring OM&R costs (costs which occur uniformly from year to year over the study period) and non-annually recurring OM&R costs because these are entered separately into the BLCC input data file. Energy costs are actually computed within BLCC based on annual (or monthly) usage amounts and unit energy prices. **You must specify *all* costs as though they**

were incurred on the base date of the study. BLCC automatically adjusts these costs for price changes (if any) during the Study Period.

3.1.2 Steps in a BLCC Analysis

Now you are ready to begin the BLCC analysis. The following steps will provide a useful way to proceed:

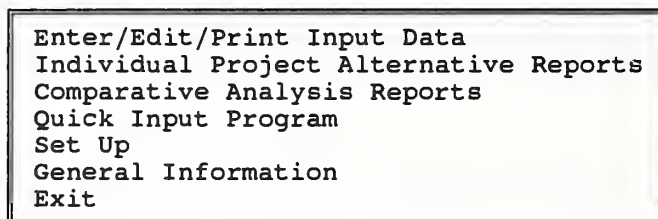
- (1) Create an input data file for each alternative and save this file to the disk. The LCC for any alternative is automatically calculated when the file is saved.
- (2) Print out the Input Data File Report and make sure that your input data were entered correctly. Use this report as documentation for your LCC report.
- (3) (Optional) Print out the Annual Cash Flow Report to make sure that the costs and their timing are correctly projected out year-by-year over the study period. If price escalation rates were included with the cost data, the cash flow analysis should show these costs adjusted for price escalation.
- (4) Print out a Detailed LCC Analysis Report for each alternative to be included as documentation for your LCC report.
- (5) Determine which alternative of those being considered has the lowest LCC, using the "Lowest LCC" option from the main menu. This is generally the most economic alternative. However, if there are non-quantitative consequences (positive or negative) related to any alternative, these generally should be included in the determination of which is "best" overall.
- (6) Perform a comparative analysis between the alternative with the lowest LCC and the base case (generally the existing condition or the lowest-first-cost alternative) to determine the overall Net Savings, Savings-to-Investment Ratio and Adjusted Internal Rate of Return for that alternative. Sometimes you may want to perform a comparative analysis between the alternative with the lowest LCC and the alternative with the next-lower investment requirement to determine the incremental Net Savings, Savings-to-Investment Ratio and Adjusted Internal Rate of Return.

In the case where only one design alternative is being considered (e.g., adding storm windows to an existing house), two data input files are still required to conduct an economic analysis with BLCC: one for the base case (usually the existing situation) and one for the actual alternative being considered. The base case itself may have no initial investment cost, but will typically have higher OM&R and/or energy costs than the alternative. The alternative will have a higher initial investment cost but will generally have lower OM&R, replacement, and/or energy costs. The alternative must have a lower LCC than the base case to be considered cost effective.

Where several project alternatives are being considered for a particular application (e.g., different levels of insulation or different types of heating equipment for a new building) the alternative with the lowest LCC is generally the most economic choice.

3.2 The Main BLCC Menu

When you enter "BLCC" at the DOS ready prompt, the BLCC logo appears on the screen. Press any key to display the Main BLCC menu, shown in figure 3-1. This menu shows the major functions of the BLCC program. Use the up/down cursor keys to highlight the desired function and press the <Enter> key. As each function is highlighted, a brief description of that function will be displayed at the bottom of the screen. Alternatively, simply press the highlighted character to select the desired menu item. The first three selections on this menu lead to secondary menu choices, which are discussed in sections 3.3, 3.4, and 3.5, respectively. The Quick Input selection terminates BLCC and loads the Quick Input program, which is discussed in detail in section 6 of this manual. Set Up is discussed in section 2.2 under installation procedures. The first time that you use BLCC, you should choose the Set Up option first. The General Information option provides a short description of the BLCC program and how to use it. (As of yet, there are no help messages available with BLCC.) The Exit selection returns you to DOS.

A screenshot of the Main BLCC menu. It is a text-based menu with a double-line border. The menu items are listed vertically: Enter/Edit/Print Input Data, Individual Project Alternative Reports, Comparative Analysis Reports, Quick Input Program, Set Up, General Information, and Exit.

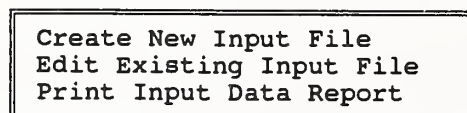
```
Enter/Edit/Print Input Data
Individual Project Alternative Reports
Comparative Analysis Reports
Quick Input Program
Set Up
General Information
Exit
```

Figure 3-1. Main BLCC menu.

3.3 Enter/Edit/Print Input Data

To use BLCC, you must first create an input data file for each alternative building or project design to be evaluated. The input data file for any project alternative contains assumptions for the LCC analysis; initial costs; operating, maintenance, and repair (OM&R) costs; capital replacement costs; energy costs; resale value; and (where relevant) data related to taxes and financing analysis. Section 4 of this manual provides detailed instructions for setting up input data files for BLCC analysis.

Once you have created and saved an input data file for any project alternative, you can edit that file and save it under its old file name (replacing the old file) or under a new file name (leaving the old file unchanged). You can also print out the input data file report for that project alternative to include as documentation for your LCC analysis. To perform any of these input data file functions, use the cursor to highlight the first menu choice in the Main BLCC Menu (or press "E"). Figure 3-2 shows the secondary menu choices that will appear on the screen.

A screenshot of the input data options menu. It is a text-based menu with a double-line border. The menu items are listed vertically: Create New Input File, Edit Existing Input File, and Print Input Data Report.

```
Create New Input File
Edit Existing Input File
Print Input Data Report
```

Figure 3-2. Input data options.

If you are going to create a new input data file, select "Create New Input File" from the menu. If you are going to edit an existing input data file, select "Edit Existing Input File" from the menu; a list of the existing input data files in your current directory will be displayed. Use the cursor keys to highlight the name of the existing file; then press <Enter> to begin. (Several demonstration files have been included with the BLCC program; you can browse through these in the edit mode. If you change any of the input variables, save the file under a new name when prompted.) After completing the last data entry form in the file creation or edit mode, you will be asked if you want to save the file to the disk. If you wish to save this file, you must enter a DOS-convention file name (eight alphanumeric characters maximum). All input data files are automatically tagged with the file name extension "DAT".

Whenever you save an input data file, the LCC computations are automatically performed and saved to the disk in an LCC output file. The default file name for the LCC output file is the same file name as the input file, but with the file name extension "LCC" automatically tagged. However, you can provide an alternative file name if desired. You can see a summary report of the LCC analysis at this point, or you can request it later from the main menu. Data input and LCC output files are both saved to the directory specified in the set up file.

NOTES

You must make a separate input data file for each project alternative to be evaluated with BLCC. Don't try to combine several alternatives into a single input data file by using multiple components. (The Quick Input program, on the other hand, allows multiple alternatives to be included in the same file. See section 6.)

After creating and saving an initial file for one project alternative, it is usually easier to modify that file in the edit mode and save it under a new name than to create a new file from scratch.

You can print any input data file for documentation purposes by selecting "Print Input Data Report" from the menu shown in figure 3-2. As with all BLCC reports, you can display this report to the screen, send it to the printer, or save it to an ASCII file in a designated subdirectory for later retrieval. If the report is saved to the disk, you must provide a valid file name; a file name extension of "DTS" will automatically be assigned.

An example of the input data report is shown for input data file DEMO1.DAT in table 3.1.

3.4 Individual Project Alternative Reports

You can generate three different types of BLCC reports for any single project alternative for which you have previously created and saved an input data file. These three report types are shown in figure 3-3, which is the secondary menu displayed when you select "Individual Project Alternative Reports" from the Main Menu.

Print Summary LCC Report Print Detailed LCC Report Print Annual Cash Flow Report
--

Figure 3-3. Report options for individual project alternatives.

The Summary LCC Report is a brief summary of the LCC analysis for a single project alternative, providing only the present value of major cost categories and the total LCC of the alternative. When you select "Print Summary LCC Report," a list of all input data files available in the current directory is displayed. Select the filename for the project alternative to be reported by highlighting it with the cursor; then press <Enter>. Then select screen, printer, or disk file output. If you want to save the summary report to the disk, you must provide a valid file name. A file name extension of "SUM" will automatically be assigned by BLCC. An example of the Summary Report is shown for input data file DEMO1.DAT in table 3.2.

The Detailed LCC Report is a comprehensive summary of the LCC analysis for a single project alternative, including a summary of the economic analysis assumptions, phase-in of initial investment costs, and life-cycle costs for each component (if any), as well as the total LCC. Both present-value and annual-value costs are shown for all life-cycle costs. When you select "Print Detailed LCC Report," a list of all LCC output files available in the current directory is displayed. (These are the files that were automatically created and saved at the time that the LCC calculations were performed.) Select one of these files by highlighting it with the cursor; then press <Enter>. Then select screen, printer, or disk file output. The report will automatically be generated and displayed/printed/saved to disk as requested. If the file is saved to the disk, you must provide a valid file name; a file name extension of "RPT" will automatically be assigned. An example of the Detailed LCC Report for input data file DEMO1.DAT is shown in table 3.3.

The Annual Cash Flow Report is a year-by-year listing of all of the costs that occur over the study period, undiscounted, and by category (investment, OM&R, energy, etc.). These costs are adjusted for any rates of price increase included in the input data. When "Annual Cash Flow Report" is selected, a list of all BLCC input files available in the current directory is displayed. Select one of these files by highlighting it with the cursor; then press <Enter>. Then select screen, printer, or disk file output. The report will automatically be generated and displayed/printed/saved to disk as requested. If the file is to be saved to the disk, you must provide a valid file name; a file name extension of "CFR" will automatically be assigned.

An example of the Annual Cash Flow Report is shown for input data file DEMO1.DAT in table 3.4.

The annual cash flow amounts *are not* discounted to present value, but *do* include any price escalation designated in the input data file. If the analysis is performed in constant dollars, the cash flow amounts are reported in constant dollars. If the analysis is performed in current dollars, the cash flow amounts are reported in current dollars. Note that if the Base Date or the Service Date is designated as occurring in a month other than January, the years in the cash flow report begin with the month designated. For example, if both the Study Period and Service Date begin with July, each year in the cash-flow report begins with July and ends with the following June.

Table 3.1 Input Data Report for File DEMO1.DAT

 * N I S T B L C C 4.0 I N P U T D A T A L I S T I N G *

FILE NAME: DEMO1
 FILE LAST MODIFIED ON 01-04-1993/17:25:53
 PROJECT ALTERNATIVE: demo one
 COMMENT: (NONE)

GENERAL DATA:

 ANALYSIS TYPE: General LCC Analysis--Non-Federal, No Taxes
 BASE DATE FOR LCC ANALYSIS: JAN 1993
 STUDY PERIOD: 22 YEARS, 0 MONTHS INCLUDING PLANNING/CONSTRUCTION PERIOD
 PLANNING/CONSTRUCTION PERIOD: 2 YEARS, 0 MONTHS
 SERVICE DATE: JAN 1995
 DISCOUNT AND INTEREST RATES ARE Real (exclusive of general inflation)
 DISCOUNT RATE: 5.0%
 Escalation rates do not include general inflation

CAPITAL ASSET COST DATA:

 INITIAL COST (BASE-YEAR \$) 10,000
 EXPECTED ASSET LIFE (YRS/MTHS) 20/0
 RESALE VALUE FACTOR 10.00%
 AVG PRICE ESC RATE (PLAN/CONST) 0.00%
 AVG PRICE ESC RATE (SERVICE PD) 0.00%
 NUMBER OF REPLACEMENTS 1

COST-PHASING SCHEDULE BY YEAR OF CONSTRUCTION AND AT SERVICE DATE:

1	33.00%
2	33.00%
SERVICE DATE	34.00%

REPLACEMENTS TO CAPITAL ASSETS:

 REPLACEMENT NUMBER 1
 YEARS/MONTHS FROM SERVICE DATE 10/0
 INITIAL COST (BASE-YEAR \$) 5,000
 EXPECTED REPL. LIFE (YRS/MTHS) 10/0
 RESALE VALUE FACTOR 0.00%

OPERATING, MAINTENANCE, AND REPAIR COST DATA:

 ANNUAL RECUR OM&R COST (\$): 1,000
 ESCALATION RATE FOR OM&R: 0.00%

NON-AN RECURRING OM&R COSTS (YRS/MTHS FROM SERVICE DATE; COST IN BASE-YEAR \$):

Y/M	COST
10/0	1000
20/0	1000

Table 3.1 Input Data Report for File DEMO1.DAT (continued)

ENERGY COST DATA:

NUMBER OF ENERGY TYPES = 3

DOE energy price escalation rates file name: ENCOST93

DOE region (state code): 3 (MD)

DOE rate schedule type: Residential

Underlying gen. inflation rate used with DOE rates: 0.00%

	TYPE 1	TYPE 2	TYPE 3
ENERGY TYPE:	Electricity	Distil. Oil	Natural Gas
BASE ANNUAL CONSUMPTION:	10000	2000	3000
UNITS:	kWh	Gallon	Therm
PRICE PER UNIT (\$):	0.10	1.00	1.00
ANNUAL DEMAND CHARGE (\$):	500.00	0.00	0.00
ESCALATION RATE METHOD:	DOE rates	DOE rates	DOE rates
1993	-0.11	0.59	2.24
1994	0.30	1.77	1.33
1995	-0.30	2.24	1.49
1996	-0.27	2.91	1.30
1997	-0.97	2.97	1.84
1998	-0.50	2.95	2.67
1999	1.30	2.99	3.07
2000	1.40	2.59	2.90
2001	1.02	2.16	2.96
2002	0.74	1.93	2.88
2003	0.51	1.66	2.59
2004	0.71	1.51	2.46
2005	0.64	1.38	2.15
2006	0.44	1.30	1.97
2007	0.39	1.28	2.06
2008	0.41	1.21	2.50
2009	0.54	1.04	2.92
2010	0.58	1.33	2.31
2011	0.61	1.78	1.78
2012	0.62	1.75	1.75
2013	0.62	1.72	1.72
2014	0.62	1.69	1.69

ENERGY TYPE:	Electricity	Distil. Oil	Natural Gas
ENERGY USE INDICES BY YEAR:			
1995	0.00	0.00	0.00
1996	0.00	0.00	0.00
1997	0.00	0.00	0.00
1998	0.00	0.00	0.00
1999	0.00	0.00	0.00
2000	0.00	0.00	0.00
2001	0.00	0.00	0.00
2002	0.00	0.00	0.00
2003	0.00	0.00	0.00
2004	0.00	0.00	0.00
2005	0.00	0.00	0.00
2006	0.00	0.00	0.00
2007	0.00	0.00	0.00
2008	0.00	0.00	0.00
2009	0.00	0.00	0.00
2010	0.00	0.00	0.00
2011	0.00	0.00	0.00
2012	0.00	0.00	0.00
2013	0.00	0.00	0.00
2014	0.00	0.00	0.00

Table 3.2 Summary LCC Report for File DEMO1.DAT

BLCC SUMMARY FOR demo one		
	PRESENT VALUE	ANNUAL VALUE
INITIAL COST (AT SERVICE DATE)	\$9,527	\$724
ANNUALLY RECURRING OM&R COSTS	\$11,304	\$859
NON-AN. RECURRING OM&R COSTS	\$899	\$68
ENERGY COSTS	\$89,097	\$6,769
REPLACEMENT COSTS	\$2,784	\$212
LESS: REMAINING VALUE	(\$342)	(\$26)
TOTAL LCC	\$113,269	\$8,605

Table 3.3 Detailed LCC Report for File DEMO1.DAT

 * NIST BLCC 4.0: DETAILED LCC ANALYSIS *

PART I - INITIAL ASSUMPTIONS AND COST DATA

Project alternative: demo one
 Run date:01-04-1993 17:26:37
 Comment:
 Input data file: DEMO1.DAT, last modified: 01-04-1993/17:25:53
 LCC output file: DEMO1.LCC, created: 01-04-1993 17:25:55
 Study period: 22.00 years (JAN 1993 through DEC 2014)
 Plan/constr. period: 2.00 years (JAN 1993 through DEC 1994)
 Service period: 20.00 years (JAN 1995 through DEC 2014)
 Discount rate: 5.0% Real (exclusive of general inflation)
 Run type: General LCC Analysis--Non-Federal, No Taxes
 End-of-year discounting convention

INITIAL CAPITAL ASSET COSTS (NOT DISCOUNTED)
 (ADJUSTED FOR PRICE CHANGES DURING PLAN/CONST. PERIOD, IF ANY)

	YEAR	COST PHASING	YEARLY COST	TOTAL COST
	1993	33.0%	\$3,300	
	1994	33.0%	\$3,300	
AT SERVICE DATE:	1995	34.0%	\$3,400	
TOTAL INITIAL CAPITAL ASSET COSTS				\$10,000

ENERGY-RELATED COSTS

ENERGY TYPE	UNITS	UNITS/YEAR	PRICE (\$/UNIT)	AN. DEMAND COST	TOTAL P.V. COST
Electricity	kWh	10,000	\$0.100	\$500	\$17,445
Distil. Oil	Gallon	2,000	\$1.000	\$0	\$28,343
Natural Gas	Therm	3,000	\$1.000	\$0	\$43,310

Table 3.3 Detailed LCC Report for File DEMO1.DAT (continued)

PART II - LIFE-CYCLE COST ANALYSIS		
DISCOUNT RATE = 5.0% Real (exclusive of general inflation)		

PROJECT ALTERNATIVE: demo one	RUN DATE: 01-04-1993/17:26:37	
	PRESENT VALUE (1993 DOLLARS)	ANNUAL VALUE (1993 DOLLARS)
	-----	-----
CASH REQUIREMENTS AS OF SERVICE DATE:		
DURING CONSTRUCTION	\$6,443	\$489
AT SERVICE DATE	\$3,084	\$234
	-----	-----
SUBTOTAL	\$9,527	\$724
OPERATING, MAINTENANCE & REPAIR COSTS:		
ANNUALLY RECURRING COSTS (NON-ENERGY)	\$11,304	\$859
NON-ANNUALLY RECURRING COSTS	\$899	\$68
	-----	-----
SUBTOTAL	\$12,202	\$927
ENERGY COSTS	\$89,097	\$6,769
REPLACEMENTS TO CAPITAL COMPONENTS	\$2,784	\$212
RESALE VALUE OF ORIG CAPITAL COMPONENTS	\$342	\$26
RESALE VALUE OF CAPITAL REPLACEMENTS	\$0	\$0
TOTAL LIFE-CYCLE PROJECT COST	\$113,269	\$8,605

Table 3.4 Annual Cash Flow Report File DEM01.DAT

 * N I S T B L C C C A S H F L O W A N A L Y S I S *

PROJECT ALTERNATIVE: demo one

COMMENT:

RUN DATE: 01-04-1993 17:26:50

INPUT DATA FILE: DEM01.DAT, LAST MODIFIED 01-04-1993/17:25:53

STUDY PERIOD: 22.00 YEARS (JAN 1993 THROUGH DEC 2014)

PLAN/CONSTR. PERIOD: 2.00 YEARS (JAN 1993 THROUGH DEC 1994)

SERVICE PERIOD: 20.00 YEARS (JAN 1995 THROUGH DEC 2014)

ANALYSIS TYPE: General LCC Analysis--Non-Federal, No Taxes

All costs in constant 1993 dollars (i.e., excluding general inflation)

INITIAL CAPITAL COSTS

(AS INCURRED DURING PLANNING/CONSTRUCTION PERIOD AND AT SERVICE DATE)

YEAR BEGINNING	TOTAL (BY YEAR)
-----	-----
JAN 1993	3,300
JAN 1994	3,300
SERVICE D	3,400
-----	-----
TOTAL	10,000

CAPITAL INVESTMENT COSTS

YEAR BEGINNING	INIT CAPITAL INVESTMENT	CAPITAL REPLACEMENTS	CAPITAL DISPOSAL	TOTAL CAP. INVESTMENT
-----	-----	-----	-----	-----
JAN 1993	3,300	0	0	3,300
JAN 1994	3,300	0	0	3,300
JAN 1995	3,400	0	0	3,400
JAN 1996	0	0	0	0
JAN 1997	0	0	0	0
JAN 1998	0	0	0	0
JAN 1999	0	0	0	0
JAN 2000	0	0	0	0
JAN 2001	0	0	0	0
JAN 2002	0	0	0	0
JAN 2003	0	0	0	0
JAN 2004	0	5,000	0	5,000
JAN 2005	0	0	0	0
JAN 2006	0	0	0	0
JAN 2007	0	0	0	0
JAN 2008	0	0	0	0
JAN 2009	0	0	0	0
JAN 2010	0	0	0	0
JAN 2011	0	0	0	0
JAN 2012	0	0	0	0
JAN 2013	0	0	0	0
JAN 2014	0	0	1,000	-1,000
TOTAL	10,000	5,000	1,000	14,000

Table 3.4 Annual Cash Flow Report File DEM01.DAT (continued)

OPERATING-RELATED COSTS DURING SERVICE PERIOD

YEAR	OPERATING-RELATED COSTS			TOTAL
BEGINNING	AN RECURRING	NON-AN REC	ENERGY	OPER. COST
JAN 1995	1,000	0	6,746	7,746
JAN 1996	1,000	0	6,843	7,843
JAN 1997	1,000	0	6,952	7,952
JAN 1998	1,000	0	7,096	8,096
JAN 1999	1,000	0	7,286	8,286
JAN 2000	1,000	0	7,468	8,468
JAN 2001	1,000	0	7,641	8,641
JAN 2002	1,000	0	7,804	8,804
JAN 2003	1,000	0	7,951	8,951
JAN 2004	1,000	1,000	8,096	10,096
JAN 2005	1,000	0	8,226	9,226
JAN 2006	1,000	0	8,346	9,346
JAN 2007	1,000	0	8,471	9,471
JAN 2008	1,000	0	8,615	9,615
JAN 2009	1,000	0	8,777	9,777
JAN 2010	1,000	0	8,925	9,925
JAN 2011	1,000	0	9,065	10,065
JAN 2012	1,000	0	9,206	10,206
JAN 2013	1,000	0	9,346	10,346
JAN 2014	1,000	1,000	9,486	11,486
TOTAL	20,000	2,000	162,347	184,347

SUM OF ALL CASH FLOWS

YEAR	CAPITAL	OPERATING	TOTAL
BEGINNING	INVESTMENT	COSTS	COST
JAN 1993	3,300	0	3,300
JAN 1994	3,300	0	3,300
JAN 1995	3,400	7,746	11,146
JAN 1996	0	7,843	7,843
JAN 1997	0	7,952	7,952
JAN 1998	0	8,096	8,096
JAN 1999	0	8,286	8,286
JAN 2000	0	8,468	8,468
JAN 2001	0	8,641	8,641
JAN 2002	0	8,804	8,804
JAN 2003	0	8,951	8,951
JAN 2004	5,000	10,096	15,096
JAN 2005	0	9,226	9,226
JAN 2006	0	9,346	9,346
JAN 2007	0	9,471	9,471
JAN 2008	0	9,615	9,615
JAN 2009	0	9,777	9,777
JAN 2010	0	9,925	9,925
JAN 2011	0	10,065	10,065
JAN 2012	0	10,206	10,206
JAN 2013	0	10,346	10,346
JAN 2014	-1,000	11,486	10,486
TOTAL	14,000	184,347	198,347

3.5 Comparative Analysis Reports

Once you have saved input data files for two or more project alternatives, you can generate two different types of comparative economic analysis reports for those alternatives. Figure 3-4 shows a menu with the two report types listed. This menu is the secondary menu displayed when "Comparative Analysis Reports" is selected from the Main BLCC Menu.

Find Lowest LCC (up to 99 Alternatives) Comparative Measures (Alternative vs Base Case)
--

Figure 3-4. Report options for comparative analyses.

Use the "Find Lowest LCC" option to determine which of the design alternatives you are evaluating has the lowest life-cycle cost. You must tag the file names of all the design alternatives to be included in this report. A list of all LCC output files (*.LCC) in the current BLCC data file directory will be displayed on the screen when you select this option. Up to 99 files can be tagged for a "lowest LCC" analysis. To tag a filename, use the cursor keys to highlight the filename, then press the spacebar. The spacebar acts as a toggle switch to tag and untag the filename.

All project alternatives to be included in the Lowest LCC Report must be mutually exclusive. That is, only one (presumably the most economic) of the alternatives will be selected for implementation. In addition, you must have specified the same underlying economic assumptions (e.g., Base Date, Study Period, Service Date, and Discount Rate) for each alternative. If these are not the same, BLCC will advise you of the problem and return you to the main menu. You must go back to the input data files in the file edit mode and make the required changes. If you have used different energy prices or energy price escalation rates for a given energy type in any of the files, BLCC will warn you of this situation, but you will be allowed to continue with the analysis if you wish to do so.

The lowest LCC report shows the initial cost and LCC of each alternative, displayed in ascending order of initial cost. The alternative with the lowest LCC is flagged. The report will automatically be generated and displayed, printed, or saved to disk as you request. If you want to save the file to the disk, you must provide a valid file name; a file name extension of "LOW" will automatically be assigned by BLCC. An example of the Lowest LCC Report is shown in table 3.5 for input data files DEMO1.DAT, DEMO2.DAT, DEMO3.DAT, and DEMO4.DAT.

Use the "Comparative Measures" option to calculate comparative measures of economic performance for one design alternative relative to a specified "base case." Tag the file names of the two alternatives to be compared (the same as for the "find lowest LCC" option, except that only two file names can be tagged). The alternative with the lower initial cost is automatically considered to be the "base case;" the alternative with the higher initial cost is automatically considered to be the "alternative case." As with the "Find Lowest LCC" option, the two alternatives to be compared

must be mutually exclusive and have the same underlying economic assumptions. The report will automatically be generated and displayed, printed, or saved to disk as you request. If you want to save the file to the disk, you must provide a valid file name; a file name extension of "CMP" will automatically be assigned by BLCC.

Table 3.5 Lowest LCC Report for input files DEMO1.DAT, DEMO2.DAT, DEMO3.DAT and DEMO4.DAT

COMPARATIVE PRESENT-VALUE COSTS OF ALTERNATIVE PROJECTS
(Shown in ascending order of initial cost, * = lowest LCC)

PROJECT ALTERNATIVE	LCC FILENAME	INITIAL COST (PV)	LIFE-CYCLE COST (PV)
-----	-----	-----	-----
demo one	DEMO1	\$9,527	\$113,269
demo two	DEMO2	\$10,479	\$105,007
demo three	DEMO3	\$11,432	\$100,896*
demo four	DEMO4	\$14,290	\$100,936

In general, if a project alternative is to be considered cost effective on a life-cycle cost basis, it must have a lower LCC than the base case, Net Savings greater than 0, an SIR greater than 1.0, and an AIRR greater than the opportunity cost of capital (i.e., the discount rate). These are all consistent measures of economic analysis; that is, they will all show that a given project alternative is either cost effective or not cost effective relative to the specified base case.

An example of the Comparative Analysis Report is shown in table 3.6 for input data files DEMO1.DAT and DEMO3.DAT. Note that the SIR calculation in this example, which is a General LCC Analysis, has only the initial investment in the denominator. Similarly, note that the AIRR is computed as the return on initial investment, i.e., project costs up to the service date. The SIR and AIRR are computed in the same way for the Private-Sector LCC Analysis as well. But for Federal and MILCON LCC Analyses, the SIR and AIRR are computed using total present-value investment, which includes initial investment as well as capital replacements and the resale value of the capital components and any capital replacements (usually as a negative amount). For Federal and MILCON Analyses, the SIR and AIRR will change if you specify a capital replacement as a non-annually recurring OM&R cost, while the SIR and AIRR will not change under this circumstance for the General and Private-Sector Analyses. The SIR and AIRR calculation procedures used in BLCC are required by the economic analysis criteria of the Federal Energy Management Program, as specified in the Code of Federal Regulations 10 CFR part 436.

Payback as a measure of economic performance is not generally consistent with these LCC measures. This is because it generally ignores all costs and savings that occur after payback has been reached. In addition, investors often specify payback requirements which are arbitrary in length (e.g., three years) and insensitive to the life of the project, and therefore inconsistent with the long-term cost-effectiveness criteria of LCC analysis. However, both discounted and simple (undiscounted) payback are now included with the comparative analysis report because this criterion is frequently requested

Table 3.6 Comparative Analysis Report for Input Files DEMO1.DAT and DEMO3.DAT

NIST BLCC: COMPARATIVE ECONOMIC ANALYSIS

BASE CASE: demo one
ALTERNATIVE: demo three

PRINCIPAL STUDY PARAMETERS:

ANALYSIS TYPE: General LCC Analysis--Non-Federal, No Taxes
STUDY PERIOD: 22.00 YEARS (JAN 1993 THROUGH DEC 2014)
PLAN/CONSTR. PERIOD: 2.00 YEARS (JAN 1993 THROUGH DEC 1994)
SERVICE PERIOD: 20.00 YEARS (JAN 1995 THROUGH DEC 2014)
DISCOUNT RATE: 5.0% Real (exclusive of general inflation)
BASE CASE LCC FILE: DEMO1.LCC
ALTERNATIVE LCC FILE: DEMO3.LCC

COMPARISON OF PRESENT-VALUE COSTS

	BASE CASE: demo one	ALTERNATIVE: demo three	SAVINGS FROM ALT.
INITIAL INVESTMENT ITEM(S):	-----	-----	-----
CASH REQUIREMENTS AS OF SERVICE DATE	\$9,527	\$11,432	-\$1,905
SUBTOTAL	\$9,527	\$11,432	-\$1,905
FUTURE COST ITEMS:			
ANNUAL AND NON-AN. RECURRING COSTS	\$12,202	\$9,942	\$2,261
ENERGY EXPENDITURES	\$89,097	\$76,592	\$12,506
REPLACEMENTS TO CAPITAL	\$2,784	\$3,341	-\$557
RESALE VALUE AT END OF STUDY	-\$342	-\$410	\$68
SUBTOTAL	\$103,742	\$89,464	\$14,278
TOTAL P.V. LIFE-CYCLE COST	\$113,269	\$100,896	\$12,373

NET SAVINGS FROM ALTERNATIVE demo three COMPARED TO ALTERNATIVE demo one

Net Savings	=	P.V. of Future Cost Savings	\$14,278
		- Increased Initial Invest.	\$1,905
		Net Savings:	----- \$12,373

(continued on next page)

Table 3.6 Comparative Analysis Report for Input
Files DEMO1.DAT and DEMO3.DAT (continued)

SAVINGS-TO-INVESTMENT RATIO (SIR)
FOR ALTERNATIVE demo three COMPARED TO ALTERNATIVE demo one

$$\text{SIR} = \frac{\text{P.V. of Future Cost Savings}}{\text{Increased Initial Invest.}} = 7.49$$

ADJUSTED INTERNAL RATE OF RETURN (AIRR)
FOR ALTERNATIVE demo three COMPARED TO ALTERNATIVE demo one
(Reinvestment rate = 5.00%; Study period = 22 years)

$$\text{AIRR} = 15.07\%$$

Note: The SIR and AIRR computations include only
initial costs (as of service date) as investment costs.

ESTIMATED YEARS TO PAYBACK (FROM SERVICE DATE)*

Simple Payback occurs in year 2
Discounted Payback occurs in year 2

ENERGY SAVINGS SUMMARY

Energy type	Units	---Annual Consumption---		Energy Savings
		Base Case	Alternative	
Electricity	kWh	10,000	8,500	1,500
Distil. Oil	Gallon	2,000	1,750	250
Natural Gas	Therm	3,000	2,500	500

* The simple payback and discounted payback in this example are the same because of the short time period and because only the integer year is printed. In general, the discounted payback period is longer than the simple payback period.

by investors. In general, discounted payback is a more acceptable measure of performance than simple payback because the time-value of money is included in the calculations. BLCC reports the year (starting with the service date) in which simple payback and discounted payback are achieved; that is, the year during which cumulative savings first exceed cumulative costs. The payback period is expressed as an integer number of years; part years are not included. BLCC will also print a warning if the payback is negated in later years; that is, if cumulative costs exceed cumulative savings at the end of any year once payback has been achieved.

If you wish to evaluate a single project alternative to determine whether or not it is economically justified, you must compare it against a "do-nothing" base case. An input data file must be created for the do-nothing case as well as for the project. The do-nothing case will not generally have an initial cost, but will likely have OM&R costs, energy costs, and possibly capital replacement costs occurring during the study period. You must use the same Base Date, Service date, Study Period, and Discount Rate for both the base case and the alternative. For example, to evaluate the cost effectiveness of storm windows added to existing single-pane windows, you must set up an input data file for the existing windows and a separate input data file for the storm windows over the existing windows. The base case will have no capital investment costs but will have higher annual energy usage over the period of analysis than the alternative case.

You must take special care when undertaking an analysis of interdependent building systems (or components). For example, evaluating several different levels of thermal insulation in the building envelope to determine which has the lowest LCC and then evaluating several different heating systems to determine which has the lowest LCC can lead to incorrect results if you do not recognize the interdependence between these systems. This is because the efficiency and fuel cost of the heating system will determine, in part, the cost effectiveness of each level of insulation, and the level of insulation will determine the annual heating requirements of the building and thus the cost effectiveness of each of the heating system alternatives considered. Neither system can be properly evaluated without knowing the specifications of the other.

Interdependent analyses require a simultaneous analysis of both (or multiple) systems, in which various *combinations* of system specifications (e.g., a specific insulation level and a specific heating system) are compared to determine which combination has the lowest LCC. In order to make the number of comparisons manageable, first conduct LCC analyses of each individual system independently to determine the "robustness" of the lowest-LCC-solution for that system as changes are made to the other system specifications. (For example, as the heating system efficiency is improved, how does this effect the lowest-LCC level of attic insulation?) Use this information to determine the combinations that are most likely to be cost effective. In some cases, you can use the Quick Input program to set up a large number of combinations of system alternatives for initial screening, and then generate BLCC input data files for the most likely candidates for a more detailed BLCC analysis.

4. CREATING AND EDITING DATA FILES

4.1 Overview

When creating or modifying an input data file for life-cycle cost analysis, you enter economic assumptions and cost data by choosing among options from a screen menu and by entering appropriate values into defined data fields displayed on the screen. BLCC requests input data in the order shown in table 4.1. A series of data entry forms corresponding to these data requirements are displayed to the screen in the BLCC file creation and editing modes. Section numbers in table 4.1 show where each of these data entry forms is discussed in this user's guide. In BLCC you can move forward and backward through the data entry forms by pressing the page up <PgUp> or page down <PgDn> keys. Select menu choices by highlighting the desired choice using the cursor keys and then pressing the enter key <Enter>; to back up from a menu choice to a previous screen, press the escape key <Esc>. If at any time you wish to restart the file creation process from the beginning with a "clean slate," press <F9>.

Table 4.1 Input Data File Structure and Section References

Type of Analysis (e.g., Federal, General, Private Sector, MILCON) (4.2)

Project-Level Data:

General LCC Assumptions (4.3)

Tax-Related Data (Private-Sector Analysis only) (4.10.1)

Capital-Asset Data (by project or by project component, if specified):

Initial Cost Data (4.4.2)

Cost Phasing (if Service Date begins later than Base Date) (4.4.3)

Depreciation Data (Private-Sector Analysis with taxes) (4.10.2, 4.10.3)

Annually Recurring OM&R Costs (4.5)

Non-annually Recurring OM&R Costs (4.5)

Capital Replacements:

Timing and Cost (4.6)

Depreciation Data (Private-Sector LCC Analysis with taxes) (4.10.2, 4.10.3)

Energy-related Data (not component specific):

Types, Annual Usage, Unit Cost (4.7.1)

Price Escalation Rates (4.7.2)

Annual Energy Use Indices (optional) (4.7.3)

Monthly kWh usage and maximum kW demand (optional) (5.1)

Block Rate and Demand Rate files (optional) (5.2)

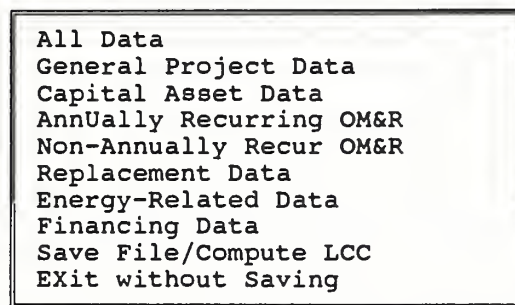
Financing Data (Non-Federal LCC Analysis only; not component specific):

Temporary Construction Financing (if Service Date begins later than Base Date) (4.8)

Permanent Financing at Service Date (4.8)

When creating a new input data file, the program automatically sends you to each relevant data entry form and asks that you fill out all the requested information. In general, only data fields which are required for the analysis are displayed on a data entry form. Thus tax-related data fields are only displayed for Private-Sector LCC Analyses which include tax computations. Data entry forms for financing are not displayed for Federal or MILCON LCC Analyses.

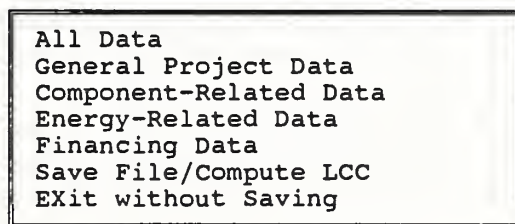
When editing an existing input data file, BLCC allows you to skip to whichever data level you desire. The file editing menu, shown in figure 4-1a, directly corresponds to the data file structure presented in table 4.1. Highlight the data type to be edited and press <Enter>. The data entry forms related to that data type will appear on the screen. After making any changes to those forms, press <F10> to go to the end of the file; then save the file. Use a new file name if you do not want to write over the old file. If you do not press <F10>, you will continue through the later data input forms until you press <F10> or you reach the file save menu.



```
All Data
General Project Data
Capital Asset Data
AnnUally Recurring OM&R
Non-Annually Recur OM&R
Replacement Data
Energy-Related Data
Financing Data
Save File/Compute LCC
EXit without Saving
```

Figure 4-1a. File editing menu (capital assets combined).

If the input data file has the capital asset data broken down by major component (up to six components are allowed, each with its own OM&R and capital replacement schedule), the file editing menu looks like the menu shown in figure 4-1b. If you select "Component-Related Data," a second menu appears, as shown in figure 4-1c. You can choose to review or edit all components or a selected component. The capital cost data entry form for the selected component appears first, followed by the OM&R and capital replacement forms. After data entry is completed for the selected component, control is returned to the component menu (figure 4-1c). Select "Components Finished--Move On" to leave the component editing mode.



```
All Data
General Project Data
Component-Related Data
Energy-Related Data
Financing Data
Save File/Compute LCC
EXit without Saving
```

Figure 4-1b. File editing menu when capital components are broken out.

All Components
Component #1: comp1
Component #2: comp2
Component #3: comp3
Component #4: comp4
Component #5: comp5
Component #6: comp6
Components Finished--Move On

Figure 4-1c. File editing menu for capital components.

In this section, each of the data entry forms will be shown, with the definition of each input variable and the range of acceptable responses (usually in parenthesis at the end of the definition). Data entry forms related to tax analysis in Private-Sector LCC Analyses are shown at the end of this section. Keep in mind the following conventions, which apply to all the data input forms:

If your response is above or below the allowable range for an input variable, the allowable range will be displayed at the bottom of the screen.

If the input variable requested is mandatory, you will not be allowed to continue until you enter a valid response.

Enter percentages as percentages, not as decimals (e.g., 7.0, not 0.07).

Do not include \$ or % signs with your entries.

Do not use commas for marking off thousands or millions.

Enter all cost data in base-year dollars. BLCC will automatically adjust prices to future-year values using price escalation rates entered by the user.

If **month/year** is requested (e.g., Base Date or Service Date), enter the calendar month (by number) and calendar year. Thus June 1993 is entered as 6/1993.

If **years/months elapsed from the service date** are requested (e.g., time of replacement), enter the number of years and months elapsed from the service date, separated by a "/", or enter the number of years only. Thus "10/6" means 10 years and six months after the service date; "10" and "10/0" both mean 10 years exactly after the service date. Entering the timing of non-annually-recurring costs by years and months elapsed from the service date allows you to change the service date without having to change the timing of all these costs. Note: "10/12" will automatically be changed to "11/0". Entering "11/0" for the time of a capital replacement or a non-annually recurring OM&R cost will cause that cost to be discounted from the end of the eleventh year, and it will show up in the cash flow report as occurring in the eleventh year. Entering "11/1" will cause it to be discounted from the end of the first month in the twelfth year, and it will show up in the cash flow report as occurring in the twelfth year.

4.2 Beginning a New Input Data File

To begin creating a new input data file, select "Enter/Edit/Print Input Data" from the main menu, and select "Create New Input File" from the secondary menu. Figure 4-2 shows the first data entry form that appears. Choose the type of analysis that you wish to perform with BLCC. Once you select the analysis type, **you cannot change it without restarting the file creation process**, since data entered for one analysis type may not satisfy the analysis criteria of another.

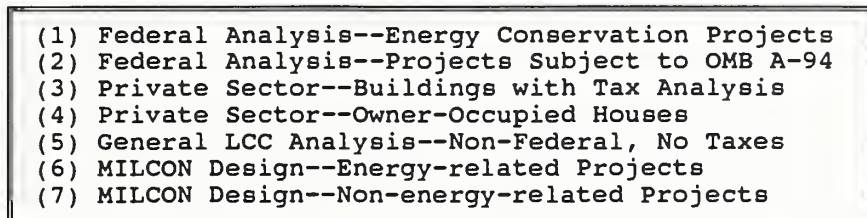
- 
- (1) Federal Analysis--Energy Conservation Projects
 - (2) Federal Analysis--Projects Subject to OMB A-94
 - (3) Private Sector--Buildings with Tax Analysis
 - (4) Private Sector--Owner-Occupied Houses
 - (5) General LCC Analysis--Non-Federal, No Taxes
 - (6) MILCON Design--Energy-related Projects
 - (7) MILCON Design--Non-energy-related Projects

Figure 4-2. Types of analysis that can be performed by BLCC.

Definitions:

- (1) **Federal Analysis:** FEMP (Federal Energy Management Program) projects related to energy conservation or renewable energy projects in federal facilities.
- (2) **Federal Analysis:** federal projects subject to OMB Circular A-94 (most other federal government construction projects, but not water resource projects).
- (3) **Private Sector:** Projects such as commercial and industrial buildings and residential rental properties with full tax analysis.
- (4) **Private Sector:** Owner-occupied houses (where only mortgage interest and property taxes are tax-deductible from federal and state income tax).
- (5) **General LCC Analysis:** LCC projects which do not need to conform to federal rules and do not require income tax analysis. Use this for any non-federal project not requiring income tax and property tax calculations, including state and local government projects.
- (6) **MILCON Design:** Department of Defense studies in which energy costs are relevant, subject to DoD's Criteria/Standards for Economic Analysis/Life Cycle Costing for MILCON Design (March 18, 1991).
- (7) **MILCON Design:** Department of Defense studies in which energy costs are NOT relevant, subject to DoD's Criteria/Standards for Economic Analysis/Life Cycle Costing for MILCON Design (March 18, 1991).

If you choose either MILCON design option, the present-value analysis will be computed slightly differently than for the other options. All annually recurring costs (OM&R and energy costs) are discounted from the middle of the year in a MILCON LCC Analysis, whereas these same costs are discounted from the end of the year for the other analysis types. MILCON LCC Analyses also use slightly different terminology for certain variables: "Base Date" is called "Date of Study" and "Service Date" is referred to as "Beneficial Occupancy Date."

For all federal projects (including MILCON projects), BLCC performs the LCC analysis in constant dollars and thus you should always enter the discount rate and price escalation rates in real terms (excluding inflation). For Private-Sector LCC Analyses (taxable and owner-occupied house), BLCC performs the analysis in current dollars and thus you should always enter the discount rate and price escalation rates in nominal terms (including inflation). (If you do not want to include taxes in a Private-Sector LCC Analysis, use the General LCC Analysis type instead.) Current dollars and nominal rates are used with Private-Sector LCC Analyses because income tax liabilities are based on current dollar amounts, not constant dollar amounts. Regardless of whether the analysis is performed in constant or current dollars, you must enter all cost data in base-year dollars.

If you choose a General LCC Analysis, you will be requested to specify whether the analysis is to be performed in constant dollars (excluding general inflation) or in current dollars (including general inflation) as shown in figure 4-3. If you specify that the analysis is to be performed in constant dollars, enter the discount rate, mortgage interest rate, and all price escalation rates in real terms (i.e., excluding general inflation). If you specify that the analysis is to be performed in current dollars, enter these rates in nominal terms (i.e., including general inflation). Once you have declared the use of constant or current dollars and have moved on to the first data entry form, you cannot return and change this declaration without reinitializing the file creation process. This is to assure that the discount rate and all price escalation rates are consistent with the constant dollar/current dollar declaration.

A General LCC Analysis can be performed in CONSTANT DOLLARS or CURRENT DOLLARS. Select the method you wish to use:

Constant dollar analysis (Exclude general inflation)

Current dollar analysis (Include general inflation)

Use cursor to highlight selection, then press <Enter>.

Figure 4-3. Declaration of constant dollar or current dollar analysis.
(General LCC Analysis only)

For Federal LCC Analyses related to energy conservation, including energy-related military construction (MILCON) studies, BLCC will default to the discount rate required by FEMP. The

FEMP discount rate is updated each October for the coming fiscal year and published by NIST in *Energy Prices and Discount Factors for Life-Cycle Cost Analysis*, NISTIR 85-3273. In fiscal year 1993 the FEMP discount rate for energy-related investments in the Federal Government (including military construction) is 4.0% (real). For Federal LCC Analyses (but not MILCON LCC Analyses) unrelated to energy conservation, BLCC uses the discount rate required by OMB Circular A-94 as the default value. The DISRAT93.FIL file contains the most current (FY 93) discount rates for FEMP and OMB. This file, which is new with version 4.0, will be updated each October and included with the most recent version of BLCC. For non-energy-related MILCON design studies, the appropriate discount rate can be obtained from the Cost Engineering Branch, Directorate of Military Programs, Headquarters, U.S. Army Corps of Engineers, in Washington, D.C.

In October 1992, OMB Circular A-94 was extensively revised, and two different discount rates were identified for non-energy-related federal investments: (1) a rate to be used for public investment and regulatory analysis, currently set at 7% real; and (2) a rate for cost-effectiveness, lease-purchase, internal government investment, and asset sale analyses, set to vary with the length of the study period, based on real interest rates on Treasury notes and bonds. These latter rates have been specified by OMB as follows:²

Study Period:	<u>3 years</u>	<u>5 years</u>	<u>7 years</u>	<u>10 years</u>	<u>30 years</u>
Discount Rate:	3.1%	3.6%	4.0%	4.3%	4.5%

These latter rates are appropriate for economic analysis of non-energy-related investments in federal buildings intended to reduce future operating costs. For study periods other than those shown here, OMB A-94 requires that you use linear interpolation to get the correct rate. BLCC will automatically make this interpolation and provide the resulting discount rate as the default rate. Changing the study period will automatically change the default discount rate.

4.3 Project-Level Data

The first data entry form is for general project-level data and assumptions, as shown in figure 4-4.

Name of Project Alternative: <u>Heat Pump #1</u>	
Base Date of Study (Month/Year): <u>1/1993</u>	(e.g., 3/1994)
Service Date (Month/Year): <u>1/1993</u>	(e.g., 3/1995)
Study Period Length (Years/Months from Base Date): <u>30/0</u>	(e.g., 20/0)
Discount rate: <u>4.00%</u>	
Comment: _____	

Figure 4-4. General project data entry form.

² The Treasury note and bond rates to be used as discount rates for internal government investment are scheduled to be published by OMB each year in March as Appendix C to OMB Circular A-94. The rates shown here are current as of March 1993.

Definitions of project-level data:

Name of Project Alternative--A name to identify the project alternative to be evaluated. A distinct project name should be assigned to each project alternative to be evaluated since the comparative analysis will list the costs of each project alternative under this name. This field is limited to 12 characters so that it can appear at the top of a column in several of the report formats. More information about this alternative can be included in the Comment line below (optional).

Base Date--The month (1-12) and year at which the study period begins, separated by a "/". The year must be between 1993 and 2000. If you do not enter the month, it is assumed to be January. All cost data must be entered in constant dollars as of this date. All costs will be discounted back to the Base Date. (Note: For Private-Sector LCC Analysis the month cannot be entered; it is assumed to be January. This is to force the months used in the analysis to be consistent with the tax year (January-December)).

Service Date--The month (1-12) and year when the building or system/component is expected to be put into service. (Separate the month and year with a "/".) The Service Date can be the same as the Base Date or up to nine years later. The time elapsed between the Base Date and the Service Date (if any) is the "planning/construction period." The timing of OM&R costs, energy costs, and replacement costs is calculated from the Service Date, not from the Base Date, if this occurs earlier than the Service Date. Note that for Private-Sector LCC Analyses the month cannot be entered; it is assumed to be January. (In previous versions of BLCC the Service Date was referred to as the Occupancy Date.)

Study Period Length (years/months)--The number of years over which the project-related costs are to be evaluated. The Study Period begins with the Base Date. Thus if the Service Date is later than the Base Date, the Study Period will be longer than the Service Period. (Integer between 2 and 99)

Discount rate (%)--Used to convert cash flows occurring at different points in time to present value (as of the base date) and its equivalent annual value. Use the nominal (i.e. inclusive of inflation), after-tax discount rate for Private-Sector LCC Analyses or for General LCC Analyses designated as using current dollars. Use a real (i.e., exclusive of inflation) discount rate for Federal LCC analysis (including MILCON LCC Analyses) and General LCC Analysis designated as using constant dollars. (0 to 25)

Comment--Additional information to identify this project alternative, since the title field is small. (Up to 50 characters)

4.4 Capital Asset Data

4.4.1 Specification of Major Systems/components (optional)

Once you have entered the project level data, you must specify whether this project alternative is to be divided into major systems or components (e.g., land, building, HVAC equipment, etc.) or whether it should be evaluated as a single system or component. At the prompt shown in figure 4-5, type "Y" if you wish to enter cost data for individual capital components, or "N" if you do not. By subdividing the project alternative into several capital components, you can assign initial costs, resale values, OM&R costs, capital replacement costs, and depreciation schedules (Private-Sector LCC Analysis with full tax analysis only) individually to each component. In general, this is only recommended when a comprehensive LCC analysis of a large project is being undertaken, or when each component has a different depreciation schedule. Note: BLCC always assigns annual energy usage and financing costs to the overall project alternative and not to specific systems or components.

Extremely Important Note: Do not divide the project into separate components for the purpose of evaluating different (mutually exclusive) project alternatives. You must have a separate input data file for each project alternative.

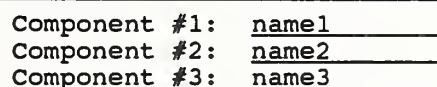


```
Do you wish to break out cost data by capital component (Y/N)?
```

```
For how many components do you wish to set up  
separate cost schedules (1-6)?
```

Figure 4-5. Breaking out capital component cost schedules.

If you answer "Y" to breaking out capital components, you will be prompted to enter the number of components. You can specify up to six capital components for any project. You must provide a unique name to each component, as shown in figure 4-6. When editing this file at a later point, you can rename any of the components, delete one or more of them, or add another (up to a total of six components) from this data entry form.



```
Component #1:  name1  
Component #2:  name2  
Component #3:  name3
```

Figure 4-6. Enter/edit names of capital components.

4.4.2 Capital Investment Costs

Figure 4-7 shows the data entry form for entering capital investment data and related factors. You must specify these data for each component or for the overall project alternative if it is not subdivided into components. (If this analysis requires tax-related data, there will be several additional data entry forms and some additional data fields for tax-related data entries. These screens and data fields are shown separately in section 4.10, "Tax Rates and Depreciation Factors.")

Initial Cost (Base-Year Dollars):	\$10000
Expected Life (from Service Date), Years/Months):	20/0
Resale Value Factor (% of Initial Cost):	10.0 %
Price Escalation Rate before Service Date:	0.0 %/year
Price Escalation Rate after Service Date:	0.0 %/year

Figure 4-7. Data entry form for capital investment data.

Definitions of capital investment cost variables:

Initial Cost (\$)--The total installed cost of the component, unadjusted for price escalation during the planning/construction period (if any). If the Service Date is later than the Base Date, BLCC uses the Cost-Phasing Schedule and the Average Price Escalation Rate before Service Date (discussed below) to determine the actual component cost incurred in each year of the planning/construction period and at the Service Date. (0 to 99999999)

Expected Life (years/months)--The useful life of the component (in years and months) anticipated by the investor. This is intended to be a realistic assessment of the component life, independent of the study period or depreciation life assigned to the component for income tax purposes (if any). (2 to 99)

Resale Value Factor (% of initial cost)--This is the percent of the initial component cost which you expect the component to retain as resale (or salvage) value at the end of the study period or at the end of the component life (whichever comes first), unadjusted for price escalation. This factor is intended to reflect the change in component value due to wear, deterioration, or obsolescence, but not to price escalation during the study period. In computing the actual resale value of the component, BLCC uses the Average Price Escalation Rate after Service Date (see below) to adjust for price changes during the Service Period. BLCC treats the resale value as a negative cost element in the life-cycle cost equation, even if the investor does not intend to dispose of the property at the end of the Study Period. (-100 to +200)

Price Escalation Rate before Service Date (%)--If the Service Date occurs later than the Base Date, this is the average annual rate at which the cost of this component increases during the interim (the "planning/construction period"). BLCC does not make an adjustment to component costs phased in during the first year of the planning/construction period since it assumes that initial costs are incurred on the first day of each year in that time period. All

initial costs phased in after the first year and through the Service Date are adjusted using this rate. If the study is performed in constant dollars (Federal LCC Analyses and designated General LCC Analyses), this rate should not include general inflation, but instead reflect only real rates of change during this period. (-5 to +20)

Price Escalation Rate after Service Date (%)--This is the average annual rate at which the cost of this type of capital component is expected to change throughout the service period. BLCC uses this variable to adjust this component's replacement cost from base-year dollars to its cost at the time of replacement, and to establish the resale value of this component and any of its replacements. If the study is performed in constant dollars (Federal LCC Analyses and designated General LCC Analyses), do not include general inflation in this rate, but instead include only real rates of price change expected after the Service Date. (-5 to +20)

4.4.3 Cost Phasing of Capital Investment Costs

For all LCC analyses except MILCON Analyses, if the Service Date occurs later than the Base Date, you can specify the percentage of the initial capital costs to be allocated to each year in the planning/construction period and to the Service Date. If these factors do not add up to 100%, BLCC will automatically assign the unallocated percentage to the Service Date. The Cost Phasing data entry form is shown in Figure 4-8. (0 to 100 for each year, with total for all years plus the Service Date equal to 100.)

Plan/Const Year	Percent
1	33.00
2	33.00
Service Date:	34.00

Figure 4-8. Data entry form for cost phasing of initial costs.

The years shown in figure 4-8 (1 and 2) begin with the month designated for the Base Date. If the elapsed time between the Base Date and the Service Date contains a partial year (e.g., one year and six months rather than two years), the last year shown on the schedule (e.g., 2 in figure 4-8) will be a partial year. BLCC discounts the portion of initial costs allocated to each year from the first month in that year to the Base Date.

For MILCON Analysis only, if the Beneficial Occupancy Date is later than the Date of Study, you will be asked to enter the Midpoint of Construction, month and year (e.g., 1/1994). BLCC computes all initial project costs as of this date and discounts them to present value from this date. This procedure is suggested by the DoD "Memorandum of Agreement on Criteria/Standards for Economic Analysis/Life Cycle Costing for MILCON Design," (March 18, 1991). The Midpoint of Construction must be between the Date of Study and the Beneficial Occupancy Date.

4.5 Operating, Maintenance, and Repair (OM&R) Costs

Specify Operating, Maintenance, and Repair (OM&R) Costs (other than energy costs) separately for each component if capital assets are subdivided into components. Otherwise specify OM&R costs for the overall project alternative. There are two types of OM&R costs, annually recurring costs (ARCs) and non-annually recurring costs (NARCs):

- (1) Annually-recurring OM&R costs occur in approximately the same amount every year over the service period or change at a relatively constant rate over the service period. Two data entries are needed, as shown in figure 4-9.

Amount (Base-Year Dollars):	\$1000
Annual rate of increase:	0.00%

Figure 4-9. Data entry form for annually-recurring OM&R costs.

Definitions related to annually-recurring OM&R costs:

Amount (\$)--The annually-recurring OM&R cost in base-year dollars. (0-9999999)

Annual Rate of Increase (%)--The average annual rate at which both annually-recurring OM&R costs and non-annually-recurring OM&R costs are expected to change over the study period. For Federal or General LCC Analyses in constant dollars, enter the real rate (net of general inflation); otherwise enter the nominal rate (including general inflation). (-5 to +20)

- (2) Non-annually-recurring OM&R costs (NARCs) must be specified individually for each occurrence. For each NARC, specify a pair of data entries as shown in figure 4-10. You can enter up to 40 pairs of entries (50 for Private-Sector LCC Analysis with taxes). If the time of occurrence for any NARC extends beyond the end of the study period, BLCC will not include that NARC in the LCC computations. NARCs do not need to be specified in chronological order. Non-capital replacement costs (minor replacement costs which are funded out of current accounts) should be included as NARCs rather than as capital replacements. For Private-Sector LCC Analysis you can only specify the year of occurrence; the NARC is assumed to be incurred at the end of the designated year.

Ys/Ms	Cost	Ys/Ms	Cost	Ys/Ms	Cost	Ys/Ms	Cost
<u>10/0</u>	<u>1000</u>						
<u>20/0</u>	<u>1000</u>						
<u> </u>	<u> </u>						

Figure 4-10. Data entry form for non-annually-recurring OM&R costs.

Definitions related to non-annually-recurring OM&R costs:

Years/Months from Service Date--The number of years and months elapsed from the service date to the time at which the NARC is incurred (e.g., 10/6 for 10 years and six months). (0/1 to 99/0)

Amount (\$)--The corresponding non-annually-recurring OM&R cost occurring at the time specified, in base-year dollars. (0 to 999999)

4.6 Capital Replacement Costs

Next, BLCC will request information regarding capital replacements, as shown in figure 4-11. Capital replacements are assumed to be funded from capital accounts rather than current accounts. If this is a Private-Sector LCC Analysis (including taxes), these replacements will have their own depreciation schedules. Replacements funded from current accounts rather than from capital accounts should be entered as non-annually recurring OM&R costs. You can specify up to eight capital replacements (four for Private-Sector LCC Analysis) for the overall capital asset, or for each capital component if these have been designated separately. Note that for Private-Sector LCC Analysis, you can only enter the year of occurrence; the capital replacement is assumed to be incurred at the end of the designated year.

Replacement:	#1	#2	#3	#4
Years/Months (from Service):	<u>10/0</u>	<u> </u>	<u> </u>	<u> </u>
Initial Cost (base-year \$):	<u>\$5000</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>
Expected Life (years/months):	<u>10/0</u>	<u> </u>	<u> </u>	<u> </u>
Resale Value Factor:	<u>0.0%</u>	<u> </u> %	<u> </u> %	<u> </u> %

Figure 4-11. Data entry form for capital replacement costs.

Definitions related to capital replacement costs:

Years/Months (from service date)--The elapsed time from the service date to the time at which the replacement cost is expected to be incurred (e.g., 5/6 for the five years and six months). If you enter a date beyond the end of the study period, the replacement cost data will be saved in the input file but ignored in the LCC analysis. (2/1 to 99/0)

Initial Replacement Cost (base-year dollars)--The installed cost of the replacement, in base-year dollars. BLCC will calculate the actual replacement cost using the Average Price Escalation Rate before Service Date (if any) and the Average Price Escalation Rate after Service Date assigned to the original capital component.

Expected Life (years/months)--The expected useful life of the replacement, in years and months. (2 to 99)

Resale Value Factor (% of initial replacement cost)--The percent of the initial replacement cost remaining at the end of the study period (or at the end of the expected useful life of the replacement, whichever is less) in base-year dollars, i.e., unadjusted for inflation or price escalation. BLCC uses the Average Price Escalation Rate before Service Date (if any) and the Average Price Escalation Rate after Service Date along with this factor to compute the actual resale value. (0 to 200)

4.7 Energy-Related Data

BLCC treats annual energy costs like annually recurring costs except that you may specify up to four individual energy types and an annual rate of price escalation for each year during the study period, rather than an average annual rate (as in the case of OM&R costs). In addition, you can set up a schedule of Annual Energy Usage Indices for each energy type (optional) to change the annual energy consumption from year to year, starting with the Service Date. (Energy costs are not calculated before the Service Date.) BLCC calculates total energy costs from both direct energy costs (i.e., those costs that are directly proportional to annual energy consumption) and indirect costs (i.e., demand-related or other fixed charges that are not proportional to annual energy consumption).

4.7.1 Main Energy Data Entry Form

You enter energy-related variables on several data entry forms displayed in the file creation/edit mode. The main data entry form sets up the types of energy to be evaluated and related variables, as shown in figure 4-12. You can enter data for up to four energy types on this form. Additional forms for entering energy price escalation rates, Annual Energy Usage Indices (optional), and monthly kWh and maximum kW demand (optional) are discussed below.

Energy type number:	#1	#2	#3	#4
Energy Type Code (1-9)*:	<u>1</u>	<u>2</u>	<u>4</u>	—
Units Code (1-8)**:	<u>1</u>	<u>2</u>	<u>3</u>	—
Base Annual Consumption (units/yr):	<u>10000</u>	<u>2000</u>	<u>3000</u>	—
Price/unit (base-year dollars):	<u>\$ 0.100</u>	<u>\$ 1.000</u>	<u>\$ 1.000</u>	\$ —
Annual Demand-related Charge:	<u>\$500</u>	<u>\$0</u>	<u>\$0</u>	\$ —
Escalation Type Code (1-3)***:	<u>2</u>	<u>2</u>	<u>2</u>	—

Figure 4-12. Main data entry form for energy-related data.

Definitions related to energy data:

Energy Type Codes--Choose one of the following codes:

- | | | |
|------------------------------------|-----------------------------|-------------------|
| 1 = Electricity | 4 = Natural Gas | 7 = Central Steam |
| 2 = Distillate Fuel Oil (#1, #2) | 5 = Liquified Petroleum Gas | 8 = Chilled Water |
| 3 = Residual Fuel Oil (#4, #5, #6) | 6 = Coal | 9 = Other |

Unit Codes--Choose one of the following codes:

- | | | |
|------------|------------------------|--------------------|
| 1 = kWh | 4 = MBtu (million Btu) | 7 = GJ (gigajoule) |
| 2 = gallon | 5 = pound | 8 = liter |
| 3 = therm | 6 = MJ (megajoule) | 9 = kg (kilograms) |

Note: Unit designators are for reporting purposes only, and are not actually used in the computations. If you set up two columns with the same energy type, they must both use the same units.

Base Annual Consumption (in designated units)--The base annual energy consumption of the specified energy type (unadjusted by the Annual Energy Usage Indices, if any).

Price per unit--The price per designated unit to be used in calculating direct energy costs for the project. Enter the price as of the Base Date of the analysis.

Annual Demand (or Other Fixed) Charge (dollars/year)--These are the annual costs (usually the sum of monthly charges) for this energy type that are not calculated in proportion to energy usage. Fixed monthly customer charges and charges for peak power demand are examples of these charges. Enter the cost as though it were incurred at the Base Date.

Escalation Type Code--A code which you use to specify how you will enter the energy price escalation rates for each energy type that you included in the analysis:

- 1 = You will enter energy price escalation rates from your own sources.
- 2 = BLCC will automatically retrieve annual energy price escalation rates from ENCOSTXX.RAN, a disk file with DOE projections of energy price escalation rates that is distributed with BLCC. (XX represents the year in which the file is released, e.g., ENCOST93.RAN was released for fiscal year 1993.) These rates vary by energy type, rate type, and region.
- 3 = BLCC automatically retrieves the annual energy price escalation rates as with code type 2. You can then overwrite these rates in any year, using your own estimates.

4.7.2 Energy Price Escalation Rates

After you have completed the main energy data entry form and pressed <PgDn>, BLCC displays the forms for entering energy price escalation rates. A separate form is displayed for each energy type you designated to be used in this analysis, and the format of that form depends on the escalation type code that you entered for that energy type.

Escalation Type Code = 1

If energy price escalation rates are to be entered by the user (Escalation Type Code 1), you can specify up to 50 pairs of discrete escalation rates and the number of years of duration for each rate. The data entry form for user's projected escalation rates is shown in figure 4-13. To delete a pair, move the cursor to either field in the pair to be deleted and press <F1>. To insert a new pair, move the cursor to the desired point and press <F2>; then type in the new values. Press <PgDn> when finished.

Enter in pairs: Number of YEARS (duration) and corresponding RATE (%).									
(Enter up to 22 pairs; total years must add to at least 22)									
Yrs	Rate	Yrs	Rate	Yrs	Rate	Yrs	Rate	Yrs	Rate
10	2.00								
12	1.00								
---	---								

Figure 4-13. Data entry form for user's projected energy price escalation rates.

Definitions related to energy price escalation rates:

Years--The number of consecutive years that the corresponding energy price escalation rate is to be used, starting with the Base Date. The number you enter must be an integer. Note that for each energy type, the sum of these years must equal or exceed the study period. (1 to 60)

Energy Price Escalation Rate (%)--The average annual rate of price increase for this energy type over the corresponding years (duration). If the analysis is being performed in real terms (Federal and designated General LCC Analyses), you should enter this rate in real terms (i.e., excluding general inflation). If the analysis is being performed in nominal terms (i.e., Private-Sector and designated General LCC Analyses), you should enter this rate in nominal terms (i.e., including general inflation). (-10 to +20)

Figure 4-14 shows two pairs of energy price escalation rates for electricity. For the first 10 years after the beginning of the study period, the price of electricity is assumed to increase at 2% per year; for the remaining 12 years of the study period the price is expected to increase at 1% per year. (These are real rates since this analysis is being conducted in constant dollars.)

Escalation Type Codes = 2 or 3

If DOE projected Energy Price Escalation rates are to be retrieved from the disk (Escalation Type Codes 2 or 3), the data entry form shown in figure 4-14 will appear before the escalation rates are shown. These additional data are needed to identify the DOE rates specific to the analysis.

Rate Schedule Type* (1-3): <u>1</u>
State Abbreviation (2-char): <u>DC</u>
General Inflation Rate (projected for study period): <u>5.00%</u>

Figure 4-14. Data required for DOE energy price escalation rates.

Definitions related to DOE Energy Price Escalation Rates:

Rate Schedule Type--The type of utility rate schedule used for the project. Choose one:
1 = residential 2 = commercial 3 = industrial

State Abbreviation (2 characters)--The official U.S. Postal Service abbreviation for the state in which the project is to be located. This code is used to determine in which of the (currently) four DOE regions the project will be located.

General Inflation Rate--The projected rate of general price inflation over the study period. (Only required for analyses conducted in current dollars.) BLCC uses this rate to convert DOE projections of energy price increases from real rates (as they are retrieved from the file) to nominal (market) rates. It is not used for any other purpose in the BLCC analysis. The general inflation rate that you enter here should be consistent with the general inflation rate

implicit (but undeclared) in your nominal discount rate, price escalation rates, and mortgage interest rates, if any. (0 to 10)

If you choose to use DOE escalation rates for a selected energy type and they are not available for the rate schedule type specified, you have three options:

- (1) Return to the data entry form shown in figure 4-14 and select another rate schedule type (e.g., residential or industrial). However, this will be applied to all of the energy types included in this analysis.
- (2) Return to the main energy menu (figure 4-12), change the Escalation Type Code to 1, and enter your own rates; or
- (3) Indicate that you want to substitute the DOE escalation rates for another energy type. Figure 4-15 shows the data entry form that allows you to do this. In this example, DOE escalation rates are not available for LPG delivered under commercial rate schedules. Figure 4-15 shows how you can force the DOE escalation rates for natural gas to be used for LPG.

No DOE energy price escalation rates are available for
Commercial rates with the following energy type(s):

Energy type #1 (LPG): 4

Enter the code from the list of energy types shown below that
most closely corresponds to the energy type shown above.
Or enter 0 if you want to enter your own escalation rates.
Then press <PgDn> to continue.

Codes for energy types with DOE escalation rates (Commercial rates):
1=Electricity; 2=Distil. Oil; 3=Residual Oil;
4=Natural Gas; 6=Coal;

Figure 4-15. Assignment of DOE escalation rates to energy types without DOE rates.

When the DOE escalation rates are retrieved using Escalation Type Code 2, the rates are displayed on the screen as shown in figure 4-16. This display is for information purposes only. You cannot change these rates without designating Escalation Type Code 3.

DOE Projected Energy Price Escalation Rates for Distil. Oil
(Net of general inflation)

Rate type = Residential; DOE Region = 3; Projection File: ENCOST93

Year	Rate	Year	Rate	Year	Rate	Year	Rate	Year	Rate
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
1993	0.59	2003	1.66	2013	1.72				
1994	1.77	2004	1.51	2014	1.69				
1995	2.24	2005	1.38						
1996	2.91	2006	1.30						
1997	2.97	2007	1.28						
1998	2.95	2008	1.21						
1999	2.99	2009	1.04						
2000	2.59	2010	1.33						
2001	2.16	2011	1.78						
2002	1.93	2012	1.75						

Figure 4-16. DOE energy price escalation rates displayed for inspection.

If DOE escalation rates are retrieved for user modification (Escalation Type Code 3), the rates will be displayed on a data entry form like that shown in figure 4-17. Note that this form is similar to that shown in figure 4-13, in that the duration (in years) and rate are shown as pairs, and the total duration must be at least as long as the study period. Since the DOE escalation rates are different for each year, the default duration is 1 for each year. To delete a pair, move the cursor to either field in the pair to be deleted and press <F1>. To insert a new pair, move the cursor to the desired point and press <F2>; then type in the new values. Press <PgDn> when finished.

Enter in pairs: Number of YEARS (duration) and corresponding RATE (%).									
(Enter up to 22 pairs; total years must add to at least 22)									
Yrs	Rate	Yrs	Rate	Yrs	Rate	Yrs	Rate	Yrs	Rate
---	-----	---	-----	---	-----	---	-----	---	-----
<u>1</u>	<u>2.24</u>	<u>1</u>	<u>2.59</u>	<u>1</u>	<u>1.72</u>				
<u>1</u>	<u>1.33</u>	<u>1</u>	<u>2.46</u>	<u>1</u>	<u>1.69</u>				
<u>1</u>	<u>1.49</u>	<u>1</u>	<u>2.15</u>	-					
<u>1</u>	<u>1.30</u>	<u>1</u>	<u>1.97</u>						
<u>1</u>	<u>1.84</u>	<u>1</u>	<u>2.06</u>						
<u>1</u>	<u>2.67</u>	<u>1</u>	<u>2.50</u>						
<u>1</u>	<u>3.07</u>	<u>1</u>	<u>2.92</u>						
<u>1</u>	<u>2.90</u>	<u>1</u>	<u>2.31</u>						
<u>1</u>	<u>2.96</u>	<u>1</u>	<u>1.78</u>						
<u>1</u>	<u>2.88</u>	<u>1</u>	<u>1.75</u>						

Figure 4-17. User modifies DOE's energy price escalation rates.

Note that only 50 Energy Price Escalation Rates can be entered on the form. If each rate is given a duration of one year, as in the case when DOE rates are used, and the study period exceeds 50 years, BLCC will assign the rate for the fiftieth year to all subsequent years.

4.7.3 Annual Energy Usage Indices

You can specify the pattern of annual energy usage for each energy type as constant or variable. If you expect the energy usage for the building or building system/component to be approximately the same from year to year (which is the general case in most energy analyses), specify N to the question "Do you want to enter a schedule of Annual Energy Usage Indices (Y/N)?" If you expect the annual usage to change in some predictable manner (e.g., an anticipated switch in heating fuels in the year 2000, so that one type of fuel is used less and another type more after that point), specify Y. You can then specify up to 50 discrete pairs of Annual Energy Usage Indices and the number of years of duration for each, separately for each energy type, as shown in figure 4-18. As with the energy price escalation rates, you can delete a pair by moving the cursor to either field in that pair and pressing <F1>, or insert a pair by pressing <F2> at the desired field.

Figure 4-18 shows that for the first 10 years of the service period the annual energy usage for electricity will be the same as the Annual Energy Consumption specified for that energy type in the main energy data entry form. For the next 10 years the annual energy consumption will be 10% higher than the Annual Energy Consumption specified in that form.

Annual Energy Usage Indices for Electricity
Starting with first year of service period (1995); 100% = base index

Enter in pairs: Number of YEARS (duration) and corresponding INDEX. (Enter up to 20 pairs; total years must add to at least 20)									
Yrs	Index	Yrs	Index	Yrs	Index	Yrs	Index	Yrs	Index
---	-----	---	-----	---	-----	---	-----	---	-----
10	100.00								
10	110.00								
—	—								

Figure 4-18. Data entry form for Annual Energy Usage Indices.

Definitions related to Annual Energy Usage Indices:

Years--The number of consecutive years that a corresponding Annual Energy Usage Index is to be used. For each energy type, the sum of these duration periods must equal or exceed the service period. Note: These duration periods begin with the service date (since energy consumption calculations begin with the service date), while the duration periods for energy price escalation rates begin with the start of the study period (since all prices are entered in base-year dollars). (0 to 60)

Index (%)--This is the percentage of the Base Annual Energy Consumption for the designated energy type to be used during the corresponding years. For example, if you specify base annual electricity usage as 10,000 kWh in the main energy data entry form, and an Annual Energy Usage Index for electricity is specified as 110 for years 11 through 20, the annual kWh usage for those years will be calculated as 11,000. An index of 100% for any year leaves the Base Annual Energy Consumption unchanged in that year. (0 to 999)

4.8 Finance-Related Data

If financing arrangements are an integral part of the project economics, you can incorporate them into the BLCC analysis (General and Private-Sector LCC Analyses only). If there is a planning/construction period, you can specify temporary financing during that period. Temporary financing is assumed to expire as of the Service Date. Permanent financing begins with the Service Date; you can enter input data for one or two permanent mortgage loans. Data for temporary financing during the planning/construction period (if any) and for permanent financing are entered on separate data entry forms.

Note: BLCC cannot handle adjustable-rate mortgages (ARMs). However, since the underlying rate of general inflation is assumed to be constant throughout the study period, the assumption of a constant interest rate over the same period of time is reasonable.

Data requirements for temporary and permanent financing are essentially the same, except that you cannot enter the life of the loan for temporary financing. (It is assumed to end at the service date.) Figure 4-19 shows the data entry form for temporary financing. Figure 4-20 shows the data entry form for permanent financing.

If you wish to include financing in the BLCC analysis, answer "Y" to the question "Do you want to include financing in this LCC analysis (Y/N)?" If the service period begins at a later date than the Base Date, so that there is a planning/construction period before the service date, you can include construction financing by answering "Y" to the question "Include temporary financing during the planning/construction period (Y/N)?"

Percent of initial cost borrowed:	75.0%
Loan Type Code (2-3)*:	2
Annual Interest Rate**:	5.00%/yr
Number of Payments per year:	1
Points Paid (% of loan amount):	0.0%

Figure 4-19. Financing data during planning/construction period.

	Loan:	#1	#2
Percent of initial cost borrowed:		<u>80.0%</u>	<u>10.0%</u>
Loan Type Code (1-3)*:		<u>1</u>	<u>2</u>
Annual Interest Rate**:		<u>5.00%/yr</u>	<u>5.00%/yr</u>
Number of Payments per year		<u>12</u>	<u>1</u>
Points Paid (% of loan amount):		<u>1.0 %</u>	<u>0.0%</u>
Life of Loan:		<u>20 years</u>	<u>10 years</u>

Figure 4-20. Financing data for permanent financing at service date.

Definitions related to financing data:

Percent of Initial Cost Borrowed--This factor is multiplied by the initial project cost (including price escalation during construction, if any) to determine loan amounts for the project. During the planning/construction period, this factor is assumed to be the same in each year and is applied to the initial costs as they are phased in. For permanent financing, the sum of these factors for both loans cannot exceed 100%.

Loan Type Codes--BLCC can handle three loan types:

- 1 = fully amortized loan with periodic payments of equal amount (permanent financing only);
- 2 = interest only loan with periodic interest payments and repayment of principal at end of loan life; or
- 3 = both interest payments and principal repayment deferred to end of financing period.

Annual Interest Rate (%)--The annual interest rate of the loan, without compounding effects or loan placement costs considered (i.e., not the effective interest rate or "APR"). If the analysis is to be performed in constant dollars (General LCC Analysis only, since financing is not available with Federal and MILCON LCC Analyses), enter the annual interest rate in real terms (i.e., net of general inflation). Otherwise enter the interest rate in nominal (market) terms. (0 to 25)

Number of Payments per Year--The number of equal payments made at periodic intervals through the year (e.g., 1 = annual payment; 12 = monthly payment). (1 to 12)

Points Paid (% of loan amount)--The loan placement fee (including all transaction costs paid by the borrower), assessed as a percentage of the loan amount (i.e., one "point" equals 1% of the loan amount). (0 to 6)

Life of Loan (Years)--The number of years over which the load will be repaid. The loan life can be longer or shorter than the study period. If it is longer, any remaining principal and accrued interest at the end of the study period are assumed to be paid at the end of the study period. (Integer between 2 and 40)

4.9 Saving a BLCC Input File

Once the data entry for a project alternative has been completed, you can save these data to the disk, review these data in the file edit mode, or exit without saving. Figure 4-21 shows the menu which allows you to make this choice. You must save the data if you wish to compute the LCC for this alternative. BLCC automatically computes the LCC for this alternative when you save the input data and then saves the LCC computations in a second data file. Each alternative will then have two files: an input data file and an LCC output file. Comparative analyses of project alternatives and the Detailed LCC Report are based on the LCC output file for each alternative, not the input data file.


```
Save Input Data & Compute LCC
Review Input Data File
Exit without Saving
```

Figure 4-21. Menu displayed when data entry is complete.

To save the input data file, you must enter a DOS-convention file name (8 characters maximum) in the data field provided, as shown in figure 4-22. BLCC automatically assigns the file name extension "DAT". Press <Enter> when the file name has been entered. If this file name already exists in the same directory, a warning message will be shown. If you choose to use the same file name as that of an existing file, the existing file will be written over. If a default file name is shown, as is the case when you are editing an existing file, simply press <Enter> and the file will be saved under the default file name (after verifying that you wish to write over the existing file).

As soon as the input data file is saved, BLCC automatically performs the LCC calculations for that file. You must then enter a file name for the LCC output file in the field provided, as shown in figure 4-22. The default file name for the LCC output file is the same as the file name for the input data file; press <Enter> to use this name. BLCC automatically assigns the file name extension "LCC". Both the input data file and the LCC output data file can have the same file name since they have different file name extensions. In general you should use the same file name for both files to make it easier to keep track of file pairs, but you can use different file names if you have reason to.

```
Enter filename for saving Input Data File: DEMO1____.DAT
Enter filename for saving LCC Output File: _____.LCC
Default file name = DEMO1
```

Figure 4-22. Entry fields for file names.

Once the LCC computations are completed and saved to the disk, you can immediately view the LCC summary report for that alternative. This report can be displayed to the screen, printed, or saved to the disk, at your option. Control is then returned to the main BLCC menu.

If you choose to review the input data file or edit any of the entries before saving the current file, the menu shown in figure 4-1 will appear. Use this menu to select which data entry form you want to review or edit. You can return to the file save menu at any time in the file review/edit mode by pressing <F10>.

4.10 Tax-related Data

For Private-Sector LCC Analysis, you will need to enter additional data related to tax rates in order to calculate after-tax life-cycle costs and measures of cost effectiveness. For Private-Sector LCC Analyses which are designated as "buildings with tax analysis" (i.e., for profit), data related to depreciation schedules are also required. If you are conducting a for-profit analysis, BLCC assumes that all capital-related costs (initial investment and capital replacements) are depreciable over time and all current expenditures (OM&R costs, including non-capital replacement and energy costs, and mortgage interest) are deductible in the year of occurrence. If you are conducting a Private-Sector LCC Analysis of owner-occupied homes, BLCC assumes that only property taxes and mortgage interest are tax deductible. For both of these analysis types, BLCC reduces the resale value of the project alternative by the computed capital gains tax liability, if any.

This section describes tax-related data entry fields for Private-Sector LCC Analysis. These fields are shown here rather than actual order of occurrence in order to streamline the user's guide and to provide a comprehensive source for tax-related variables.

4.10.1 Tax Rates and Depreciation Factors

After you enter the project level data (see section 4.2), the data entry form shown in figure 4-23 is displayed.

Marginal Federal Income Tax Rate:	<u>10.00%</u>
Marginal State Income Tax Rate:	<u>10.00%</u>
Property Tax Rate (nominal):	<u>10.00%</u>
Capital Gains Adjustment Factor:	<u>10.00%</u>
Depreciation Recapture Code(0-3):	<u>1</u>
Depreciation Basis Adjustment Factor:	<u>10.00%</u>

Figure 4-23. Data entry form for tax-related data.

Definitions of tax rates and depreciation factors:

Marginal Federal Income Tax Rate (%)--The federal income tax rate applied to the last dollar of income to the investor. (0 to 50)

Marginal State Income Tax Rate (%)--The state tax rate applied to the last dollar of income to the investor. If income taxes are imposed by local jurisdiction, you can include these in the economic analysis by replacing the state tax rate with a composite state and local rate. Note that BLCC computes a composite income tax rate from the marginal federal and state income tax rates, based on the assumption that state and local income taxes are deductible from federal income tax. Otherwise all tax deductions are assumed to be the same for both federal and state tax computations. (0 to 20)

Property Tax Rate (%)--The quoted (nominal) tax rate levied on this type of property at this location, without consideration of the assessment rate. Note that the Property Tax Rate is the same for all capital components and their capital replacements, but that the percentage of each component that is subject to this property tax rate (i.e., the assessment rate) can be specified separately for each component and replacement. (0 to 20)

Capital Gains Adjustment Factor (%)--The percentage of the capital gain that is taxed as ordinary income. Use 100% if there is no capital gains preference. At the end of the study period, if the resale value of the project is greater than its initial cost, the difference is assumed to be taxable as long-term capital gains. The effective capital gains tax may be lower than the ordinary income tax rate. (For example, at the time of this writing capital gains are taxed at 28% while ordinary income at the top bracket is taxed at 31%. In this case the Capital Gains Adjustment Factor is 90.32%.) For owner-occupied houses which are sold, the capital gains tax is usually deferred if another house is purchased and occupied within a specified amount of time. To defer capital gains taxes indefinitely, enter a zero for this factor. (0 to 100)

Depreciation Recapture Code--At the end of the study period, if the resale (or salvage) value of the project is greater than its depreciated book value (i.e., the remaining undepreciated portion of its actual cost as of the service date), the difference (up to the total amount of depreciation claimed) may be subject to a depreciation recapture tax. This depreciation recapture tax can be computed in one of several different ways, as designated by the following input codes:

- 0 = no depreciation recapture,
- 1 = recapture as capital gain,
- 2 = recapture as ordinary income, and
- 3 = depreciation calculated at straight-line rates, recaptured as capital gains; any excess depreciation (due to accelerated calculation procedures), recaptured as ordinary income.

Note that IRS rules for recapture vary with the type of property involved, method of depreciation used, and date of asset acquisition. If there is no capital gains preference (i.e., the Capital Gains Adjustment Factor is 100%), codes 1, 2, and 3 all produce the same results.

Depreciation Basis Adjustment Factor (%)--If an investment (or energy) tax credit is claimed for any component, this may reduce the original cost basis for depreciation calculations by a specific percentage of the tax credit. For example, if one half of the tax credit must be deducted from the original cost basis for depreciation, enter 50. If no investment tax credit is to be claimed for capital assets (as described below), enter 0. (0 to 100)

4.10.2 Tax-related data for capital components and replacements

Figure 4-24 shows the data entry form that is used to enter cost and related data for each capital component, or for the overall project alternative if individual components are not broken out. The first five fields in this figure are the same as those shown in section 4.5 for analysis without taxes. The last three fields require you to enter tax-related data specific to the capital components.

Initial Cost (base-year dollars):	\$10000
Expected Life (years):	20
Resale Value Factor (% of initial cost):	10.0%
Price Escalation Rate before Service Date:	4.0 %/year
Price Escalation Rate after Service Date:	4.0 %/year
Tax Credit Rate:	0.0%
Property Tax Assessment Rate:	100.0 %
Depreciation Code (0-4):	4

Figure 4-24. Data entry form for capital investment data with tax-related items.

Definitions of tax-related data for capital components and replacements:

Tax Credit Rate (% of initial cost)--The percent of the initial cost of the component (or overall project alternative, if no components are specified) which can be claimed as an income tax credit in the first year of the service period. If the tax credit is taken, the IRS may require you to reduce the depreciation basis of the component by some percentage of this credit. The percentage of the tax credit by which the depreciation basis is to be reduced can be specified using the Depreciation Basis Adjustment Factor, described in section 4.10.1.) (0 to 20)

Property Tax Assessment Rate (%)--The percentage of the initial component cost to which the Property Tax Rate for the overall project is applied in order to calculate the actual property tax obligation. BLCC only calculates property taxes during the service period (i.e., not during the planning/construction period), and assumes that these taxes are paid at the end of each year, based on the assessed value of that component at that time. In computing the assessed value of the component for each year of the service period, BLCC decreases the initial component cost annually--in straight-line fashion--to its estimated resale value (unadjusted for price changes) at the end of the study period (or at the end of the component life, if this occurs before the end of the study period). It then adjusts these values for price changes using the "Average Price Escalation Rate after Service Date," before applying the Property Tax Assessment Factor to determine the amount to which the Property Tax Rate is applied. Note that this is necessarily an approximation technique; the actual assessment depends on the taxing authority's own assessment methods. (0 to 100)

Depreciation Code--The method to be used for depreciating each capital component is determined by the following codes:

0 = no depreciation calculated	3 = sum of years digits
1 = straight-line	4 = depreciation table
2 = declining balance (accelerated)	

See section 4.10.4 for information regarding the depreciation table method.

Figure 4-25 shows the data entry form that is used to enter capital replacement data. The first four fields in this figure are the same as those shown in figure 4-11 for analysis without taxes. The last two fields have tax-related data specific to capital components. The definitions for these fields are the same as for capital components above.

Replacement:	#1	#2	#3	#4
Year (from service date):	<u>10</u>	—		
Initial Cost (base yr \$):	\$ <u>2000</u>	\$ —	\$	\$
Expected Life (years):	<u>10</u>	—		
Resale Value Factor:	<u>10.0%</u>	— %	%	%
Property Tax Assess Factor:	<u>100.0%</u>	— %	%	%
Depreciation Code (0-4):	<u>1</u>	—		

Figure 4-25. Data entry form for replacement cost schedule with tax-related items.

4.10.3 Additional Depreciation Data

Projects with full tax analysis require you to input more information regarding depreciation if you have specified Depreciation Codes 1, 2, or 3. Figure 4-26 shows the form for entering depreciation data for capital investments and for capital replacements. You must enter these depreciation data separately for each component and each replacement, if relevant.

Depreciation Life: <u>10</u> Years
Acceleration Rate (if needed): <u>0</u> %
Salvage value (as % of initial cost): <u>0</u> %
Additional first year depreciation (as % of initial cost): <u>0</u> %

Figure 4-26. Data entry form for additional depreciation data.

Definitions of additional depreciation data:

Depreciation Life (Years)--The number of years over which the component will be depreciated. (2-45)

Acceleration Rate--This is the ratio of allowable depreciation to straight-line depreciation that BLCC uses to calculate the depreciation allowance. For double declining balance, enter 200. This rate is only required and used when the Depreciation Method Code = 2. (100 to 300)

Salvage Value Factor (% of initial cost)--If the IRS depreciation rules require that salvage value be deducted from the initial asset cost before calculating depreciation, you must enter the Salvage Value Factor. Otherwise enter zero. The Salvage Value Factor is specified as a percentage of the initial component cost. Negative values are not allowed. Note: The Salvage Value Factor is specified only for depreciation purposes here; this is not the same as the Resale Value Factor. (0 to 50)

Additional First-Year Depreciation Factor--If additional first-year depreciation is allowed, enter this factor as a percentage of the actual component cost. BLCC deducts any additional first year depreciation from the original depreciation basis before the depreciation schedule is set up for this component and added to the first year of the depreciation schedule. (0 to 20)

4.10.4 Standard Depreciation Tables

When you create or modify an input data file that requires depreciation data, you can specify several types of depreciation calculations, including straight-line, sum-of-years digits, accelerated depreciation, and standard table computations. If you specify the standard table option, BLCC bases the depreciation computations on depreciation factors that it retrieves from a disk file that you have previously set up for this purpose. This allows you to use a standard depreciation table without having to re-enter it each time. (IRS publishes such tables for different classes of depreciable assets.) You can use the same depreciation table several times without re-entering the table. You can use the same table for both initial capital components and capital replacements.

Before running BLCC, you must create a file of depreciation factors using a text editor (or word processor in the text mode) and save it as an ASCII file. Files with depreciation factors must have the file name extension "DEP". This file must be accessible from the BLCC directory (not the data file subdirectory specified in the "Set Up" option). An example of a file containing a standard depreciation table is included on the BLCC 4.0 disk as DEMO.DEP.

Depreciation table files have the following format:

```
n
factor 1
factor 2
.
.
factor n
```

where:

n = number of factors in file (i.e., the number of years over which the asset is to be depreciated), and

factor i = percent of asset cost allowed as depreciation in year i, i = 1 to n, in decimal form (e.g., 10% = .1). The sum of these factors must equal 1.0.

Figure 4-27 shows an example of a depreciation table file for use with BLCC. This file contains the number of years that an asset is to be depreciated and the percent (in decimal terms) of its depreciation basis that is allowed as depreciation in each of those years. Separate tables must be created for each depreciation schedule to be retrieved. Note that the Annual Cash Flow Report shows the actual depreciation amounts used in the BLCC analysis at the bottom of the report.

5
.2
.2
.2
.2
.2

Figure 4-27. Example of a data file containing a standard depreciation table.

5. ELECTRICITY COST CALCULATIONS USING ERATES FILES

BLCC 4.0 can compute annual kWh costs using block rate schedules with monthly kWh data, rather than simply multiplying annual kWh usage by the price per unit. A file with block rate schedules created by the NIST ERATES program³ can be imported for this purpose. Block rate schedules assign different prices to different levels of kWh usage in a given month. Different price schedules can be in effect for different months of the year. For example, summer months may have different kWh rates than winter months.

BLCC 4.0 can also compute annual demand charges using a demand rate schedule and monthly maximum kW demand data, rather than simply using the annual demand charge from the main energy data entry form. A file with demand rates created by the NIST ERATES program can be imported for this purpose. Demand charge schedules can be complex, especially when "ratchet" effects are considered. BLCC uses a simplified method which is explained later in this section.

5.1 Specifying Rate Schedules

To use a block rate (kWh) schedule and a demand rate schedule with BLCC, you must generate them in advance with the NIST ERATES program. Using ERATES, you can create a file of one or more monthly block rate schedules for kWh charges and assign them to specific months of the year. Figure 5-1 shows two block rate schedules generated with ERATES and their assigned months. The first is assigned to all months except May, June, July, August, and September; the second is assigned to these months. **You must save the block rate and demand rate files generated by ERATES in the same directory as BLCC4.EXE, not in the subdirectory designated for BLCC data input files.**

You can change the number of kWh in each usage block and the price for each block with the ERATES program. You can assign up to five usage blocks to each schedule; all kWh consumption above the highest block is charged at the rate shown for "all additional kWh." You can include as many as six monthly schedules in a single file, along with their assigned months. ERATES block rate files always have the file name extension "BLK". The two schedules shown in figure 5-1 were taken from file DEMO.BLK, included on the BLCC 4.0 diskette for demonstration purposes.

To use block rates for calculating annual kWh costs, do the following: Declare electricity as an energy type in the main energy data entry form by entering a 1 for the energy type code, and declare kWh as the unit designator by entering a 1 for the units code. Do not enter either an annual energy usage amount or a unit energy price (either a blank or a zero will do). When the main energy data entry form is completed, press <PgDn>. Then answer "Y" to the question, "Use block rates?" A list of block rate files in your current BLCC directory will appear on the screen. Tag the file to be used; the file name will be saved in your BLCC input data file. The data entry form for entering monthly kWh usage for each month of the year will appear after you elect or decline to use a demand charge schedule for calculating annual demand charges.

³ National Institute of Standards and Technology, *ERATES, A Computer Program for Calculating Time-of-Use, Block, and Demand Charges for Electricity Usage*, NISTIR 5186, May 1993.

BLOCK RATE SCHEDULE #1									
Months assigned: 1 2 3 4 5 11 12									
Monthly customer charge: \$10.00 /month									
Block 1: first 1000 kWh @ \$0.0500/kWh									
Block 2: next 1000 kWh @ \$0.0600/kWh									
Block 3: next 1000 kWh @ \$0.0600/kWh									
Block 4: next 1000 kWh @ \$0.0600/kWh									
Block 5: next 0 kWh @ \$0.0000/kWh									
All additional kWh: @ \$0.0600/kWh									

BLOCK RATE SCHEDULE #2									
Months assigned: 6 7 8 9 10									
Monthly customer charge: \$10.00 /month									
Block 1: first 1000 kWh @ \$0.0600/kWh									
Block 2: next 1000 kWh @ \$0.0700/kWh									
Block 3: next 1000 kWh @ \$0.0700/kWh									
Block 4: next 1000 kWh @ \$0.0700/kWh									
Block 5: next 0 kWh @ \$0.0000/kWh									
All additional kWh: @ \$0.0700/kWh									

Figure 5-1. Block rate schedules from ERATES program.

Demand charges can be calculated using an ERATES demand rate file only if (1) you are using block rates for kWh charges, and (2) you specify a zero demand charge for electricity in the main energy data entry form. Then answer "Y" to the question "Use demand rates?" A list of demand rate files in your current BLCC directory will appear on the screen. Tag the file to be used; the file name will be saved in your BLCC input data file.

Figure 5-2 shows two demand charge schedules created with ERATES. These schedules are similar to those used for kWh block rates charges, in that the demand rates can also be entered in blocks of variable sizes and different schedules can be assigned to different months. The demand charge schedule, as set up by ERATES, will also determine whether the monthly charges are to be levied on the maximum demand for the corresponding month or on the maximum demand for the entire year. (This is intended to provide more flexibility in simulating the calculation of demand charges under a wide variety of rate structures.) ERATES demand rate files always have the file name extension "DMD". The demand charge schedule shown in figure 5-2 was taken from file DEMO.DMD, included on the BLCC 4.0 diskette for demonstration purposes.

The ERATES demand rate schedule specifies the hours when peak demand is to be metered. This feature is intended to support the determination of peak demands using hourly kWh consumption data with ERATES. BLCC uses monthly maximum kW data and thus ignores the on-peak hour specifications. BLCC assumes that the monthly maximum kW specified in the BLCC input data file for this project alternative occurred during the appropriate on-peak hours.

5.2 Entering Monthly kWh and kW Data

Finally, enter the monthly kWh usage and maximum kW demand (if used) for each month of the year in the data entry form shown in figure 5-3. These kWh and kW become the nominal usage amounts for an Annual Energy Usage Index of 100% if these indices are used. (The Energy Usage Indices will adjust both the kWh usage and kW demand amounts by the same percentage.) The annual kWh usage will be computed and reported in the Detailed LCC and the Comparative LCC reports.

Some utilities use a "ratchet" method when calculating demand charges, using the maximum kW demand in one month as the basis for calculating demand charges in subsequent months. If this is the case then enter the ratchet amount in the appropriate months after the ratchet base has been established, instead of the actual amount. For example, if the ratchet base of 100 kW is established in July and the demand charge is based on 90 percent of this amount for the next 12 months, then enter 100 for July and 90 for each of the subsequent months (including January through June since the objective is to set up a typical year of monthly kW demand amounts). Note that the rate per kW can vary from month to month, depending on the demand rate schedule assigned to that month when setting up the file in ERATES. If the ratchet amount is the same as the ratchet base for all 12 months, choosing the "annual maximum kW" option instead of the "monthly maximum kW" option when setting up the ERATES demand file will automatically base the monthly charge in each month on the maximum kW demand for the year, regardless of the kW demand amounts entered in the other 11 months.

Monthly and annual calculations of annual kWh costs and kW demand charges can be performed and displayed within the NIST ERATES program. This can be helpful when setting up the block rate and demand rate schedules for use with BLCC. By experimenting with different monthly kWh and kW profiles and different rate schedule assignments you can determine the cost consequences of changes to these input parameters. When setting up block rate and demand rate files with ERATES, it is recommended that you first perform sample cost calculations with ERATES, using typical kWh and kW demand profiles, before importing these files into BLCC.

DEMAND RATE SCHEDULE #1
Months assigned: 1 2 3 4 10 11 12

Enter on-peak demand hours (1-24)

First Period Start <u>6</u> Stop <u>9</u>	Second Period Start <u>14</u> Stop <u>22</u>
--	---

Block 1: first	<u>100</u>	kW @ \$	<u>10.00</u> /kW
Block 2: next	<u>100</u>	kW @ \$	<u>12.00</u> /kW
Block 3: next	<u>0</u>	kW @ \$	<u>0.00</u> /kW
Block 4: next	<u>0</u>	kW @ \$	<u>0.00</u> /kW
Block 5: next	<u>0</u>	kW @ \$	<u>0.00</u> /kW
All additional kW:		@ \$	<u>15.00</u> /kW

DEMAND RATE SCHEDULE #2
Months assigned: 5 6 7 8 9

Enter on-peak demand hours (1-24)

First Period Start <u>6</u> Stop <u>20</u>	Second Period Start <u>0</u> Stop <u>0</u>
---	---

Block 1: first	<u>100</u>	kW @ \$	<u>15.00</u> /kW
Block 2: next	<u>100</u>	kW @ \$	<u>20.00</u> /kW
Block 3: next	<u>0</u>	kW @ \$	<u>0.00</u> /kW
Block 4: next	<u>0</u>	kW @ \$	<u>0.00</u> /kW
Block 5: next	<u>0</u>	kW @ \$	<u>0.00</u> /kW
All additional kW:		@ \$	<u>25.00</u> /kW

Figure 5-2. Demand rate schedule from ERATES program.

Month	kWh	kW
-----	-----	-----
January	<u>1000</u>	<u>10</u>
February	<u>1000</u>	<u>10</u>
March	<u>1500</u>	<u>12</u>
April	<u>1500</u>	<u>12</u>
May	<u>1500</u>	<u>15</u>
June	<u>2000</u>	<u>15</u>
July	<u>2000</u>	<u>15</u>
August	<u>2000</u>	<u>15</u>
September	<u>1800</u>	<u>12</u>
October	<u>1500</u>	<u>11</u>
November	<u>1500</u>	<u>10</u>
December	<u>1500</u>	<u>10</u>

Figure 5-3. Data entry form for monthly kWh and maximum kW demand data.

6. THE BLCC QUICK INPUT PROGRAM

6.1 Overview

The BLCC Quick Input Program (QI) provides a convenient method of setting up and solving relatively simple LCC problems that require the determination of the design alternative with lowest LCC from two or more mutually exclusive alternatives. For example, you may want to determine which of several alternative levels of roof insulation, or which of several different heating systems, is most cost effective for a particular building. With BLCC, you must set up a separate file for each alternative, calculate the LCC for each, and then compare their LCCs to determine which alternative has the lowest LCC. With QI, you can set up this problem in a single file that includes common "header" information (including the basic study parameters and unit energy costs) and line item entries for each alternative to be evaluated. After you save this file, you can, with a single key stroke, calculate the LCC for each alternative in the file, identify the alternative with the lowest LCC, and report this information along with the Net Savings, Savings-to-Investment Ratio, and Adjusted Internal Rate of Return for the lowest-LCC alternative. If you want to add more detail to any of the alternatives (for example, to add more non-annually recurring costs or replacements costs) or generate more comprehensive LCC reports, QI can generate input data files for a BLCC analysis.

QI can evaluate several different groups of projects, each with its own set of alternatives, in the same data file. The requirements for this multiple analysis are (1) that all of the projects must be evaluated in the same LCC context (i.e., using the same study period, service date, and discount rate); and (2) that the projects must be (approximately) functionally independent. This latter requirement means that none of the projects evaluated, at any of their alternative levels of implementation, significantly affects the life-cycle costs of any of the other project alternatives included in the same QI file.

For example, adding attic insulation (especially at the higher levels) will have little or no effect on the cost or savings from double- or triple-pane windows and thus both groups of alternatives can be evaluated in the same QI analysis. However, installing a high-efficiency furnace will have a significant effect on the savings from adding insulation or insulated glass since the energy efficiency of the heating system determines, at least in part, the energy savings attributable to those latter modifications. For example, you cannot evaluate several different levels of heat pump efficiency, several different levels of attic insulation, and several different levels of window glazing as three different groups in the same QI file. Instead you must set them up as a single group with each practical combination of the three systems listed separately. The term "practical combination" implies that you have given some consideration to economic balance in the specification of each combination and that you omit obviously unbalanced combinations. For example, you would not expect to use single-glazed windows together with a high level of attic insulation. (See the discussion in section 3.5 for more information on simultaneous analyses of interdependent systems.)

You can save and edit QI input data files much like BLCC input data files. Moreover, you can append additional project alternatives to the end of a QI data file, either in the QI edit mode, or by using a modified version of an energy analysis program such as the DOE ASEAM program (version 4.0). The data format needed to append data for additional alternatives directly to a QI input file is discussed in section 6.5.

While QI is fully compatible with BLCC from a computational standpoint, its data entry capabilities are somewhat limited, in keeping with its nature as a simplified analysis program. The following list provides some of these limitations and special assumptions that are different from those in BLCC:

Tax-related analyses cannot be performed.

The Base Date and the Service Date (Beneficial Occupancy Date) can only be specified by year. The month is assumed to be January.

Time-phasing of initial costs between the Base Date and the Service Date is not available. Instead, all initial costs are assumed to be incurred at the Service Date (except for MILCON LCC Analysis, where initial costs are discounted from the midpoint of construction).

You cannot enter escalation rates specific to individual cost items except for energy costs. However, for a General LCC Analysis you can enter the general inflation rate if you want to conduct the LCC analysis in current, rather than constant, dollars. In this case, the general inflation rate will be used to convert DOE energy price escalation rates (which do not include inflation) to their nominal (market) equivalents. The general inflation rate will also be used to increase OM&R costs and capital replacement costs to their actual cost level in the year of occurrence before discounting these costs back to present value.

You can enter only one capital replacement cost and only one non-annually recurring OM&R cost for each alternative in the QI file. However, for these two cost items, the *frequency of occurrence* is entered (in years/months from the Service Date) rather than entering the *time of occurrence* as in BLCC. Thus these costs will automatically recur at the stated time interval until the end of the study period. If you use QI to generate a BLCC input data file for any project alternative in the QI file, the timing of each replacement and non-annually-recurring OM&R cost will automatically be transferred to the BLCC file.

You cannot enter a resale value for the initial investment or its capital replacements. However, QI will automatically recalculate the resale value for the initial investment if its expected life extends beyond the end of the study period. This calculated resale value is based on straight-line depreciation (i.e., prorated) over the expected life of the initial investment. Thus if you specify a study period of 25 years in the header data and assign an expected life of 50 years to a given project alternative, a resale value factor of 50% $[(50-25)/50]$ for that project alternative will automatically be assigned in the QI LCC calculations. If the study is conducted in current dollars, the general inflation rate will be applied after the prorated resale value amount is calculated. (Note that if the Service Date is later than the Base Date, the prorated depreciation will be computed over the service period rather than over the entire study period.)

Similarly, QI will calculate a resale value for capital replacements if their expected life extends beyond the end of the study period. Thus, if you declare that a capital replacement cost has a 10-year frequency in a QI analysis having a 25-year study period (where base date and service date are the same), the first replacement will have no resale value at the end of the twentieth year, but the second replacement is assumed to have a 50% resale value factor at the end of the study period $[(25-20)/10]$. If you use QI to generate a BLCC input data file

for a project alternative, the calculated resale value factors will automatically be transferred to that file.

Input data related to energy calculations are identical to those in BLCC, except that Annual Energy Usage Indices cannot be entered. Block rate and demand rate files can be used with QI; however, as with BLCC this requires monthly data for kWh and maximum kW consumption for each alternative. DOE energy price projections are retrieved from the disk as in BLCC.

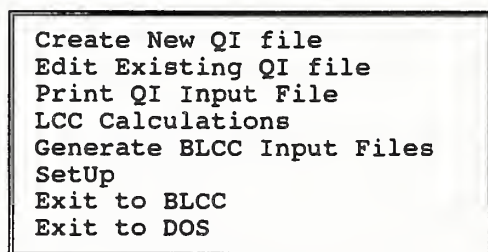
Financing analysis is not included in QI.

6.2 Installation

QI should be installed in the same directory as BLCC. This will generally be done at the time that you install BLCC, since they are both included on the BLCC disk(s). If you want to install QI separately from BLCC, copy the following files from the BLCC diskette to the QI directory: QI.EXE, ENCOST93.SEQ, ENCOST93.RAN, SETUP4.FIL, and ENESC.SCR. Use the set up option as in BLCC to select the monitor type, data file directory, and filename for DOE energy price escalation rates.

6.3 Running QI

Type QI to begin the QI program. The main QI menu, shown in figure 6-1, will appear on the screen.

A rectangular box containing a list of menu options for the QI program. The options are: Create New QI file, Edit Existing QI file, Print QI Input File, LCC Calculations, Generate BLCC Input Files, SetUp, Exit to BLCC, and Exit to DOS.

```
Create New QI file
Edit Existing QI file
Print QI Input File
LCC Calculations
Generate BLCC Input Files
SetUp
Exit to BLCC
Exit to DOS
```

Figure 6-1. Main Quick Input menu.

If you are using QI for the first time it is recommended that you run through the demonstration file DEMO.QI. Highlight the "Edit Existing QI file" bar and press <Enter>. You will see the existing QI files in your directory (only DEMO.QI if you are just starting). Highlight the file and press <Enter>. The file will be retrieved from the disk. The type of analysis that has been designated in the DEMO.QI file will automatically be shown. Press <Enter> and the data entry form for file header data will be displayed. Use <PgDn> and <PgUp> to move from screen to screen to review the data. You can then resave this data or return to the main menu without saving. From the main menu select LCC Calculations to generate an LCC report for this file.

6.3.1 Creating a New QI File

To create a QI data file for a project, use the cursor to highlight "Create New QI file" and press <Enter>. When creating a new QI file, you must choose one of the five types of LCC analyses shown in Figure 6-2. Unlike BLCC, you can change the analysis type in the file edit mode. If you initially selected "General LCC Analysis" and you change to a Federal or MILCON LCC analysis you must also change the discount rate, inflation rate, and study period in the file header data to conform to the specific LCC requirements of the new analysis type; this will not be done automatically.

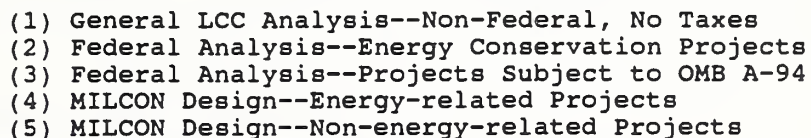
- 
- (1) General LCC Analysis--Non-Federal, No Taxes
 - (2) Federal Analysis--Energy Conservation Projects
 - (3) Federal Analysis--Projects Subject to OMB A-94
 - (4) MILCON Design--Energy-related Projects
 - (5) MILCON Design--Non-energy-related Projects

Figure 6-2. Types of LCC analyses performed by QI.

6.3.2 Common Data for LCC Analysis

Figure 6-3 shows the "file header" data entry form. QI uses the data in this form for evaluating all of the project alternatives included in this file. The data entry requirements are similar to those in BLCC. Note, however, that the "Common Project Name" is the name of the overall analysis, not the name of an individual project alternative. (Project alternative names are entered on a later form along with corresponding cost and energy usage data.) You can only enter the year for the Base Date and Service Date; the month is assumed to be January. The Base Date must fall between 1993 and 2000. The Service Date more than nine years beyond the Base Date is not allowed.

You can enter the Study Period Length as a year or as a year/month pair, separated by a "/" (maximum = 99 years). Only enter an inflation rate when the LCC analysis is to be conducted in current dollars (including inflation). If you include an inflation rate, specify the discount rate in nominal terms (including inflation). If inflation is not included, specify the discount rate in real terms (net of general inflation). Federal and MILCON LCC Analyses should always be conducted in constant dollars (inflation set to zero) with a real discount rate, as in the BLCC program. (The discount rate must be between zero and 20; inflation rate between zero and 10.)

COMMON PROJECT NAME <u>test</u>			
BASE DATE OF STUDY (YEAR) <u>1993</u>		(e.g., 1993)	
SERVICE DATE (YEAR) <u>1994</u>		(e.g., 1993)	
STUDY PERIOD LENGTH (YEARS/MONTHS FROM BASE DATE): <u>25/6</u> (E.G., 20/6)			
DISCOUNT RATE <u>4.0</u> %			
INFLATION RATE <u>0</u> % (0 for constant dollars with real discount rate)			
COMMON ENERGY DATA			
ENERGY TYPE NUMBER:	#1	#2	#3
ENERGY TYPE CODE:	<u>1</u>	<u>4</u>	<u>9</u>
UNITS CODE:	<u>1</u>	<u>3</u>	<u>4</u>
PRICE PER UNIT:	<u>\$0.07</u>	<u>\$0.75</u>	<u>\$1.00</u>
ESCALATION TYPE CODE:	<u>2</u>	<u>2</u>	<u>2</u>

Figure 6-3. Data entry form for QI header data.

The header data entry form includes the common energy data required for energy cost analysis of each of the project alternatives to be included in the QI file. Only the energy types that you specify here (by entering the Energy Type Code, Unit Code, price, and Escalation Type Code) will appear on the data entry form for the individual project alternatives. The codes are identical to those used in BLCC:

Energy Type Codes: 1=Electricity; 2=Distillate oil (#1 & #2);
 3=Residual oil (#4, #5, & #6); 4=Natural Gas; 5=LPG
 6=Coal; 7=Central Steam; 8=Chilled Water; 9=other

Unit Codes: 1=kWh; 2=gallon; 3=therm; 4=MBtu (million Btu); 5=pound;
 6=MJ (megajoule); 7=GJ (gigajoule) 8=liter; 9=kilogram

Energy Escalation Type Codes: 1=user enters rates;
 2=DOE rates from disk;
 3=user modifies DOE rates

If you select an Energy Escalation Type Code of 1 for any energy type, you will need to enter your own energy price escalation rates into a form identical to the form used in BLCC for this purpose (see figure 4-13). If you enter an Energy Escalation Type Code of 3, the DOE rates will be retrieved and displayed so that you can modify them, again as in BLCC (see figure 4-17). Code 2 retrieves the DOE energy price escalation rates from the disk; however these are not displayed to the screen as in BLCC.

For Energy Escalation Type Codes 2 and 3 you must declare the Rate Type (residential, commercial, or industrial) and the State Abbreviation, as in BLCC, figure 4-14. If there are no DOE projections for the combination of energy type and rate schedule type specified, you will be able to select the DOE rates for another energy type for use for this energy type, or change the code to 1 and enter your own rates. The data entry form for BLCC shown in figure 4-15 is also used in the QI program for selecting alternative DOE energy price escalation rates.

For electricity usage only, if you leave the price per unit blank or enter a zero, BLCC will allow you to specify a block rate file and a demand rate file from the ERATES program to be used in the energy cost computations. The prompts for this declaration will appear immediately after you leave the header data entry form. If you specify a block rate file, you must enter monthly kWh usage for each project alternative. If you specify a demand rate file, you must enter the monthly maximum kW demand for each project alternative. This procedure is similar to the use of block and demand rates in BLCC. (See section 5 for more information on these procedures.)

For MILCON LCC Analyses only, if the Service Date (Beneficial Occupancy Date) is later than the Base Date, you will be asked to enter the midpoint of construction, as in BLCC. However, in QI you can only enter the year, not the month and year.

6.3.3 Data Entry for Individual Project Alternatives

Once you have completed data entry forms for the header data and energy price escalation rates, the data entry form for the individual project alternatives appears on the screen. You will enter data specific to each of the project alternatives (and multiple projects, if relevant) on this one form. However, since the data form is wider than the screen, it automatically scrolls to the right to accommodate data related to energy usage. Figure 6-4 shows the data entry form as it initially appears on the screen. Figure 6-5 shows the form at its right-most margin. (Note that some of the fields are duplicated at the point of overlap of the two screens.) The total width of the project data form depends on the number of energy types you declared on the header data form and whether you specified that annual demand costs for electricity would be entered or calculated.

Use <Tab> and <Shift> <Tab> to move right and left from field to field on the project data form. Use <Ctrl> <End> to shift to the right edge of the form; use <Ctrl> <Home> to shift back to the left edge of the form. If you enter more than 12 project alternatives, the data entry form will scroll downward as well. Use <Ctrl> <PgDn> to move downward frame-by-frame (12 alternatives at a time) through the form; <Ctrl> <PgUp> to move back upward.

ALT #	ALTERNATIVE NAME	GROUP CODE	LIFE (Y/M)	INITIAL COST	REPLACEMENTS		ANNUAL OM&R	NON-ANNUAL O	
					FREQ	COST		FREQ	COS
1	R-0	A	25	0	0	0	0	0	0
2	R-11	A	25	300	0	0	0	0	0
3	R-19	A	25	500	0	0	0	0	0
4	R-30	A	25	650	0	0	0	0	0
5	R-38	A	25	800	0	0	0	0	0
6									
7									
8									
9									
10									

Figure 6-4. Left side of data entry form for project alternatives.

ALT #	CEMENTS	ANNUAL	NON-ANNUAL OM&R		ANNUAL ENERGY USE			AN. ELEC.
	COST	OM&R	FREQ	COST	ELECTRIC (kWh)	NAT. GAS (therm)	OTHER (MBtu)	DEMAND CHARGE (\$)
1	0	0	0	0	5000	500	0	0
2	0	0	0	0	4600	450	0	0
3	0	0	0	0	4500	425	0	0
4	0	0	0	0	4450	410	0	0
5	0	0	0	0	4420	405	0	0
6								
7								
8								
9								
10								

Figure 6-5. Right side of data entry form for project alternatives.

You must enter all data for an individual project alternative on a single line in the project data form. **Enter all costs in base-year dollars.** You can delete any project alternative by moving the cursor to any field on its data entry line and pressing <F1>. You can force a new line for inserting an additional project alternative between two existing project alternatives by moving the cursor to the line where the new line is to appear and pressing <F2>.

Definitions of data related to individual project alternatives:

Alternative name--Each project alternative should have a distinct name, up to 12 characters.

Group Code--An alphanumeric code (one or two characters, case insensitive) used to identify a specific alternative as belonging to a specific group of alternatives. QI assumes that all of the alternatives in a particular group are mutually exclusive, i.e., only one of them will be selected (presumably the alternative with the lowest LCC). If you are going to evaluate more than one group of project alternatives in a single QI file, assign a Group Code to each alternative. In figure 6-4, all five alternatives are for the same project (attic insulation) and thus are all identified with the same code, shown here as "A". If you want to add a second group of project alternatives to this file (e.g., window treatments), tag each alternative in the second group with a second Group Code (e.g., "W" for windows). When QI performs the LCC calculations, it will flag the alternative with the lowest LCC in each group. You do not need to list project alternatives together by Group Code; you can enter them in any order. Alternatives with the same Group Code are listed together in the QI LCC report. As explained in section 6.1, each group of project alternatives evaluated in the same QI file must be functionally independent.

Life--The expected life of this alternative, in years (or years/months, separated by a "/"). If the life of a project alternative extends beyond the end of the study period, QI will calculate its resale value based on its remaining life, as explained in section 6.1. If no resale value is expected, set the life of the project alternative equal to the service period (the time from the service date to the end of the study period).

Initial Cost--The initial investment cost of the project alternative.

Replacements (Frequency and Cost)--Enter both the frequency, in years (or years/months), and the cost of the capital replacements (if any) for each project alternative. QI will automatically calculate capital replacement costs at the end of each replacement cycle, based on the frequency specified, up until the end of the study period, with the resale value of the last replacement based on its remaining life (if any). For example, if you specify a frequency of 10 years for a replacement in an LCC analysis with a service period of 25 years, a replacement cost will be included at the end of both the 10th and 20th year. The remaining life of the second replacement will be used to calculate its resale value at the end of the study period, as discussed in section 6.1.

Annually Recurring OM&R--The operating, maintenance, and repair cost for each project alternative that is assumed to occur in approximately the same amount each year (unadjusted for inflation), from the service date through the end of the study period.

Non-Annually Recurring OM&R (Frequency and Cost)--The sum of operating, maintenance, and repair costs for each project alternative that is expected to be incurred regularly, but not annually, starting with the service date. The frequency in years (or years/months) is used to repeat this cost at the specified intervals until the end of the study period. For example, if a frequency of five years is entered and the service period is 25 years, the same cost will be repeated at the end of each five year interval (including at the end of the 25th year). No resale value is calculated for these costs.

Annual Energy Use--The annual amount of energy usage, by energy type, for each project alternative. (Appropriate units are established in the file header data.)

If you specified that block rates for electricity costs are to be used in the QI calculations, press <F3> to display the form for entering monthly kWh usage at any time while you are in the project data entry form. Figure 6-6 shows this form. As with the form for entering data for project alternatives, this form scrolls to the right to access the later months and scrolls downward if more than 12 project alternatives are included. Press <Esc> to return to the project data form.

If you specified that demand costs for electricity are to be calculated rather than entered, press <F4> to display the form for entering monthly maximum kW by project alternative at any time while you are in the project data entry form. Figure 6-7 shows this form. This form also scrolls to the right to access the later months and scrolls downward if more than 12 project alternatives are included. Press <Esc> to return to the project data form.

After completing the data entry for individual project alternatives, press <PgDn>. Data entry is complete and now it is time to save the file.

PROJECT ALTERNATIVE #	NAME	MONTHLY KWH CONSUMPTION						
		JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY
1	R-0	500	500	500	500	600	700	700
2	R-11	500	500	500	500	575	625	625
3	R-19	500	500	500	500	560	600	600
4	R-30	500	500	500	500	550	590	590
5	R-38	500	500	500	500	545	580	580

Figure 6-6. Data entry form for monthly kWh usage by project alternative (left side only shown).

PROJECT ALTERNATIVE		MONTHLY MAXIMUM DEMAND (KW)						
#	NAME	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY
1	R-0	0	0	0	0	0	0	0
2	R-11	0	0	0	0	0	0	0
3	R-19	0	0	0	0	0	0	0
4	R-30	0	0	0	0	0	0	0
5	R-38	0	0	0	0	0	0	0

Figure 6-7. Data entry form for monthly maximum kW demand by project alternative (left side only).

6.3.4 Saving a QI File

After you have completed data entry for all of the project alternatives and pressed <PgDn>, you will be asked for a valid DOS file name for saving this QI file to the disk. Do not include the directory or the file name extension. The extension "QI" is automatically appended to all QI data files. In the edit mode you can overwrite the original file by using the same file name, or save the data to a new file (thus leaving the old file unchanged) by entering a new file name. Once the file is saved, you are returned to the main QI menu.

6.4 Printing a QI Input File

As with BLCC, you should print out the QI data file to check for input errors and to provide it as documentation along with any LCC analysis that you perform with the Quick Input program. To print out the QI data file in report format, select this option from the main menu. You can send this report to the printer or a disk file. If you send the report to a disk file, you must specify a valid DOS file name; the extension "QID" will automatically be appended to the file name. Table 6.1 provides an example of this report.

Table 6.1. QI Input Data Report

QI File Name = DEMO.QI
 Analysis Type = General LCC Analysis--Non-Federal, No Taxes
 Project Name = Attic Insulation
 Base Date of Study = 1993
 Service Date = 1994
 Study Period = 25/6 years/months
 Discount Rate = 4.0%
 Inflation Rate = 0.00%

COMMON ENERGY DATA

ENERGY TYPE NUMBER:	#1	#2	#3
ENERGY TYPE CODE:	1	4	9
UNITS CODE:	1	3	4
PRICE PER UNIT:	\$0.07	\$0.75	\$1.00
ESCALATION TYPE CODE:	2	2	2

Data for DOE escalation rates:

Rate Schedule Type = 1
 State Abbreviation = CA

DOE Price escalation rates for energy type #1:

Year	Rate(%)	Year	Rate(%)	Year	Rate(%)	Year	Rate(%)	Year	Rate(%)
1993	0.4283	2003	0.7972	2013	0.6182				
2004	0.8233	2014	0.3715	2024	0.6213				
2015	0.6891	2025	0.1722	2035	0.6245				
2026	0.1311	2036	0.3688	2046	0.6277				
2037	0.6015	2047	0.5139	2057	0.6091				
2048	1.1188	2058	0.6094	2068	0.5908				
2059	0.9545	2069	0.3636						
2070	0.7139	2080	0.4017						
2081	0.8358	2091	0.6122						
2092	0.8291	2102	0.6152						

DOE Price escalation rates for energy type #2:

Year	Rate(%)	Year	Rate(%)	Year	Rate(%)	Year	Rate(%)	Year	Rate(%)
1993	2.3618	2003	2.7206	2013	1.7193				
2004	1.4060	2014	2.5761	2024	1.6903				
2015	1.4803	2025	2.1771	2035	1.6622				
2026	1.3676	2036	1.9252	2046	1.6350				
2037	1.9403	2047	2.0863	2057	1.4756				
2048	2.7266	2058	2.6111	2068	1.3211				
2059	3.1472	2069	2.9894						
2070	3.0488	2080	2.3062						
2081	3.0356	2091	1.7806						
2092	2.9461	2102	1.7494						

DOE Price escalation rates for energy type #3:

Year	Rate(%)	Year	Rate(%)	Year	Rate(%)	Year	Rate(%)	Year	Rate(%)
1993	0.6116	2003	1.7012	2013	1.7193				
2004	1.8350	2014	1.5523	2024	1.6903				
2015	2.3955	2025	1.4118	2035	1.6622				
2026	3.0054	2036	1.2754	2046	1.6350				
2037	2.9900	2047	1.2593	2057	1.4756				
2048	3.0394	2058	1.2437	2068	1.3211				
2059	3.0859	2069	1.1173						
2070	2.7367	2080	1.3969						
2081	2.2817	2091	1.7806						
2092	1.9828	2102	1.7494						

(continued on next page)

Table 6.1. QI Input Data Report (continued)

Number of alternatives in file = 5
 Number of groups in file = 1

ALT #	ALTERNATIVE NAME	GROUP CODE	LIFE (Y/M)	INITIAL COST	REPLACEMENTS		ANNUAL OM&R	NON-ANNUAL OM&R		ANNUAL ENERGY USE			AN. ELEC. DEMAND CHARGE(\$)
					FREQ*	COST		FREQ*	COST	Electric (kWh)	Nat.Gas (therm)	Other (MBtu)	
1	R-0	A	25	0	0	0	0	0	0	5000	500	0	0
2	R-11	A	25	300	0	0	0	0	0	4600	450	0	0
3	R-19	A	25	500	0	0	0	0	0	4500	425	0	0
4	R-30	A	25	650	0	0	0	0	0	4450	410	0	0
5	R-38	A	25	800	0	0	0	0	0	4420	405	0	0

*FREQ = Frequency of occurrence (in years/months)

Table 6.2. QI LCC Analysis Report

QI File Name = DEMO.QI
 Analysis Type = General LCC Analysis--Non-Federal, No Taxes
 Project Name = Attic Insulation
 Base Date of Study = 1993
 Service Date = 1994
 Study Period = 25/6 years/months
 Service Period = 24/6 years/months
 Discount Rate = 4.0%
 Annually recurring costs and energy costs discounted from end of year

Number of alternatives in file = 5
 Number of groups in file = 1

Group code: A

Alternative Name	Investment Costs	OM&R and Energy Costs	Total Life- Cycle Costs
R-0	\$0	\$12932	\$12932
R-11	\$286	\$11751	\$12037
R-19	\$477	\$11272	\$11749
R-30	\$620	\$10996	\$11616<--MIN LCC
R-38	\$763	\$10889	\$11653

Comparative economic measures for R-30 relative to R-0:
 NET SAVINGS = \$1315.672; SIR = 3.12; AIRR = 8.8%

6.5 LCC Calculations with QI

After you have saved the QI data file, you can perform an LCC analysis of all projects and alternatives by selecting "LCC Calculations" from the main menu. You can send the LCC report to the screen or printer, or save it to a disk file. If you save the report to a disk file, you must specify a valid DOS file name. Do not enter the directory or file name extension. A file name extension of "QLR" will automatically be appended to the file name.

Table 6.2 provides an example of the LCC analysis report generated by the Quick Input program. The LCC report includes the basic assumptions common to all of the alternatives examined and shows the LCC of each alternative included in the file, arranged by group and in ascending order of investment cost within the group. The project alternative with the lowest LCC in each group is flagged and the Net Savings, Savings-to-Investment Ratio, and Adjusted Internal Rate of Return for each alternative are reported. These comparative economic measures are computed relative to the alternative with the lowest investment cost for the same group.

Note that the SIR and AIRR are computed slightly differently for a General LCC Analysis than for the Federal and MILCON Analyses, consistent with the same computations in BLCC. (See section 3.5 of this manual.) For General LCC Analysis, only the initial investment cost is included in the denominator of the SIR and AIRR calculations. All other costs (or savings) are included in the numerator. Thus these measures are based on the "leverage" of the initial investment. For Federal and MILCON Analyses, the investment cost includes the initial cost and the cost of capital replacements, offset by their resale value at the end of the study period. This latter adjustment is required by the economic analysis criteria of the Federal Energy Management Program, as specified in the Code of Federal Regulations 10 CFR part 436. If you do not want to include capital replacement costs in the SIR and AIRR calculations in a Federal or MILCON Analysis, specify these costs as non-annually recurring OM&R costs.

6.6 Generating BLCC Input Data Files

If you require a more detailed LCC analysis of any of the project alternatives using BLCC, the Quick Input program can generate the requisite BLCC input data files directly from the QI data file. From the main Quick Input Menu select "Generate BLCC Input Files." A list of all QI data files in the current directory will be displayed to the screen. Use the cursor to highlight the QI file that contains the project alternatives of interest and press <Enter> to retrieve that file.

Enter a five-character name to serve as the root file name for the BLCC files to be generated. Each file generated by QI will have a unique 1 to 3 digit serial number added to the root file name, as well as the file name extension of "DAT" required for all BLCC input data files. For example, if you enter the root filename "ABCDE", the first file to be generated will be ABCDE001.DAT, the second will be ABCDE002.DAT, and so forth. Note that if you use the name of an existing set of BLCC input files with the same root file name, the existing files with the same serial numbers will be overwritten without warning.

A list of all of the project alternatives in the file will be displayed to the screen, along with its LCC and the unique BLCC file name that will be assigned to that file if it is generated. Use the cursor

to highlight the name of each project alternative for which you want to generate a BLCC file; then press the spacebar to tag it. (Press the spacebar again to untag the same alternative.) When all desired alternatives are tagged, press <Enter>. QI will generate the BLCC input data files and save them to the subdirectory specified in the Set Up procedure. After these files have been generated, QI will print a list of the project alternatives for which BLCC files were generated, along with their corresponding file names, for future reference.

The BLCC files generated by QI will appear in the list of available input files when you run BLCC and select "Edit Existing File" from the Main BLCC Menu. Note that BLCC cannot display more than 200 file names when retrieving input data files. If you are creating large numbers of these files, you may want to use different subdirectories for different sets of files.

When generating BLCC input data files from QI, the LCC calculations are not automatically performed as they are when a BLCC file is saved within BLCC. This means that you cannot yet print a detailed LCC report for this project alternative or perform a comparative analysis with other alternatives. You must first use BLCC in the file edit mode to read each new file and then resave it (with or without editing). This step will create the LCC output file that corresponds to the BLCC input data file.

6.7 Appending Data for Project Alternatives to QI File

The BLCC Quick Input program was designed to allow the importation of data for project alternatives from other energy analysis programs, such as the DOE ASEAM 4.0 program. Once you have created a QI file with common "header" data, you can append cost, frequency, and energy usage data for individual project alternatives to the end of that file, following the data format described in this section. You can then run QI and compute the LCC of each of the project alternatives in the QI file by selecting the "LCC Computations" option from the QI menu. In the Quick Input file edit mode, you can add or modify cost data for each alternative. You can generate BLCC input files for any of the project alternatives once they have been properly appended to the QI data file.

Generally, the process of appending data for individual projects to a QI data file is managed by several lines of computer code that you (or the programmer) add to the energy analysis program. This code must be able to perform the following functions:

- (1) Request the name of the QI data file to which the cost and energy usage data will be appended.
- (2) Open the designated QI file in the APPEND mode; that is, in a way that will not write over the existing file but will add the new data to the end of the file.
- (3) After the energy usage for each project alternative has been computed, write data to the QI data file in the format shown below.
- (4) Close the file.

6.7.1 Data Format

The format required to append project data to the end of QI data file includes one to three lines of data. Each line starts with a line code (6, 7, or 8) which is used by QI to determine how the data in that line will be read. Only the first line (line code 6) is mandatory for each project alternative evaluated; the second and third lines, which are for monthly kWh and kW data, are optional. All numeric values except the line codes themselves are real numbers (i.e., they can include a decimal point).

The first line contains all of the data specific to a project alternative except monthly kWh and kW data:

6, AltName, GroupCode, Life, InitialCost, ReplFreq, ReplCost, ArcCost, NarcFreq, NarcCost, NE

The first line also includes the energy type code and annual energy usage amount for each energy type included in this line (i = 1 to NE):

EnergyType(i), AnnualUsage(i)

where:

6--the line code for the first data line

AltName (string variable)--the name of the project alternative

GroupCode (string variable)--the group identifier (1 or 2 characters) for that alternative

Life--expected life of this project alternative

InitialCost--the initial cost of this project alternative

ReplFreq--the frequency of capital replacements (in years)

ReplCost--the cost of the capital replacement

ArcCost--the annually recurring OM&R cost

NarcFreq--the frequency of non-annually recurring OM&R costs (in years)

NarcCost--the non-annually recurring OM&R cost

NE--the number of energy types included in this line

EnergyType(i)--the energy type code used in QI and BLCC (1-9) for energy type i

AnnualUsage(i)--the annual energy usage for energy type i, in units designated in the header file (use 0 for electricity if monthly kWh are to be entered)

The minimum data requirements for appending this line to a QI file are: the alternative name, group code, life, initial cost, number of energy types included in this line (NE), and the energy type code and annual energy usage for each. Write a zero for any other variable for which no value is available; do not skip any variables. Commas must be inserted after all string variables but are optional after numeric variables. Do not include a comma within a string variable unless the string is included in quotes (e.g., "ALT 1,X"). All costs must be in base-year dollars. The variable NE does not have to be the same as the number of energy types included in the header file, but it cannot be greater than that number, and only energy types included in the header file can be included in this data line.

Note: It is the programmer's responsibility to make sure that the energy types and energy units declared in the header data are consistent with the energy types and energy units that are computed and added to the QI data file by the energy analysis program.

Data lines 2 and 3 are optional; use them only if block rate and demand rate files are specified in the QI file and these monthly kWh usage and maximum kW can be calculated in the energy analysis program. Monthly kWh usage must be included if monthly maximum kW demands are to be included, but the latter are optional even if the former are included.

line 2: Write monthly kWh usage to a single line:

7, kwh(1), kwh(2), kwh(3), kwh(4), kwh(5), kwh(6), kwh(7), kwh(8), kwh(9), kwh(10), kwh(11), kwh(12)

where:

7--line code for monthly kWh amounts, and

kwh(m)--monthly kWh usage in month m, m = 1 to 12.

line 3: Write monthly maximum kWh usage to a single line:

8, kw(1), kw(2), kw(3), kw(4), kw(5), kw(6), kw(7), kw(8), kw(9), kw(10), kw(11), kw(12)

where:

8--line code for monthly kW amounts, and

kw(m)--maximum monthly kW demand in month m, m = 1 to 12.

Example

For a project alternative named "Alt 1" with group code "A", having a life of 15 years, a first cost of \$5,000, no replacement or OM&R costs, and two energy types: annual electricity (code type 1) usage of 8,000 kWh, and annual natural gas (code type 4) usage of 500 therms, line 1 would be appended as follows:

6, "Alt 1", A, 15, 5000, 0, 0, 0, 0, 0, 2, 1, 8000, 4, 500

If monthly kWh and maximum kW demand values are to be included, the three lines would look like:

6, "Alt 1", A, 15, 5000, 0, 0, 0, 0, 0, 2, 1, 0, 4, 500
7, 500, 500, 500, 500, 600, 1000, 1000, 1000, 800, 600, 500, 500
8, 10, 10, 10, 10, 12, 15, 15, 15, 13, 12, 10, 10

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